

Delta, Pilots Compromise

gives airline short-term boost; talks will continue

By RUSSELL GRANTHAM
The Atlanta Journal-Constitution
Published on: 12/11/05

Delta Air Lines and its pilots union reached a compromise pay cut deal Sunday designed to give the ailing company immediate financial help and end a bankruptcy court battle between the two sides.

The airline, which has been in court trying to have the pilots' current contract thrown out so it could impose new terms, said the union agreed to an interim pay cut of 14 percent.

If the airline's 6,000 pilots vote to ratify the deal by Dec. 28, the pay cut will take effect retroactively on Thursday and show up in the pilots' paychecks early next year.

The interim deal, which also includes an additional 1 percent in pilot cost savings, would remain in effect while the two sides negotiate toward a broader deal by March 1.

Delta also agreed to suspend efforts to void the labor agreement in bankruptcy court and to turn to binding arbitration if negotiators can't reach a more comprehensive deal by the March deadline.

"This agreement reflects the resolve of Delta people to work together to help save the company," Delta financial chief Ed Bastian said Sunday in a statement. "We recognize and appreciate the additional sacrifice this will represent."

Lee Moak, chairman of Delta's Air Line Pilots Association unit, hailed the deal and told pilots it is "to our advantage."

"We have always maintained that a consensual agreement was in the best interest of the company and the pilots," said Moak, a Delta captain elected to the post last fall. "With a lot of hard work and dedication, I believe we have crafted an agreement that contributes to the restructuring plan and recognizes our value to the company."

Delta, which filed for Chapter 11 protection Sept. 14, had been seeking \$325 million in annual cost concessions from the pilots, including a 19 percent pay cut and rights to expand flying by its regional carriers.

The union had offered a 9 percent pay cut and other items it valued at \$150 million in annual savings.

The proposed pay cuts are on top of \$1 billion in concessions the pilots agreed to last year, including a pay cut of almost one-third.

Delta says the average salary of its 6,000 pilots is now just under \$170,000. With a 14 percent cut that would drop to about \$146,000.

Delta also has imposed two separate pay cuts of about 10 percent each on its largely nonunion employees this year.

Delta started talks with ALPA on a new pay cut deal around the time it went into Chapter 11 proceedings. After initial talks failed, it filed a so-called 1113 motion to void their contract and impose terms.

But after nine days of hearings over three weeks in the federal bankruptcy court in New York, Delta and ALPA were only partly through presenting their cases. A potential 30-day deadline on Delta's motion loomed this Friday, and pilot leaders said they'd consider calling a strike if forced to work under imposed terms.

Delta's bankruptcy judge, Prudence Beatty, repeatedly urged the airline and union to negotiate a settlement.

Delta has said it needed the full \$325 million in savings as part of a \$3 billion restructuring plan to survive. In court, ALPA has argued that its smaller offer is all that Delta needs or could justify under an agreement reached last year.

Talks outside court heated up last week and led to a deal this weekend. ALPA spokesman John Culp, a Delta captain, said the union's 13-member leadership committee approved the tentative deal at 5 p.m. Sunday.

"This is a short-term deal to respond to Delta's immediate cash flow needs," he said, adding that many other issues, such as Delta's request for more flying by regional carriers, remain unresolved.

"I don't believe that anything was pulled off the table," he said.

In the tentative agreement, Delta said it will end a program by year's end that allowed the carrier to hire recently retired Delta pilots, mostly to fly on international routes.

The program, which ALPA agreed to in order to help Delta skirt a bankruptcy filing last year, has been unpopular with many union members who viewed it as taking jobs and promotions from active pilots.

Delta spokesman John Kennedy said the airline is eager to move forward. "We envision working with the union on this and other matters fundamental to the airline's successful restructuring," he said.