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Delta Air Lines Receives Court Approval to Reinstate a Severance Program

Top executives will not participate

ATLANTA, Feb. 22, 2006 (PRIMEZONE) -- Delta Air Lines, Inc. today announced that the U.S. Bankruptcy Court for the Southern District of New York granted approval to reinstate a modest severance program for the company's officers and directors, the only employees who have not had severance or furlough protection since the September 2005 Chapter 11 filing. CEO Jerry Grinstein and COO Jim Whitehurst, both among the lowest-compensated executives in similar-sized U.S. companies, have elected not to participate in the program.

Judge Adlai S. Hardin granted the requested approval over the objection of the Air Line Pilots Association (ALPA), the only party that objected to the program. The request was supported by Delta's Official Committee of Unsecured Creditors.

The program, which would cost the company approximately \$3 million if 20 percent of its current officers and directors were severed under its terms, is "necessary, timely and reasonable," said Rob Kight, Vice President of Compensation and Benefits for Delta Air Lines.

"Delta was not -- as is often done in Chapter 11 -- seeking a new or enhanced program," said Kight when expressing appreciation for the Creditors Committee's support and the court's approval. "To combat a problem that can interfere with its successful restructuring, Delta responsibly sought to reinstate coverage for the sole remaining group of employees without it. This program is far more conservative than those at other carriers and companies both in and out of Chapter 11."

Delta's program does not have any bonus or retention payment element and has much lower payment ranges than programs at most other carriers. Moreover, executives cannot just resign and receive severance; severance only gets paid if the participant's employment terminates for a qualifying reason.

"Clearly, this program in no way provides any type of enrichment opportunity for Delta's executives. In addition to the multiple and substantial pay cuts and 'no-bonus, no-incentives' policy this management team has adopted in light of the company's current financial circumstances, the limited scope of this modest severance proposal demonstrates our commitment to the principles of shared sacrifice and to breaking with past practices to do things differently," Kight said.

Delta has among the very lowest management salaries in the industry and currently provides no bonuses or incentive compensation to its executives.

"Delta's top five executives combined will likely make less than many individual executives at many similar-size companies this year," he noted.

The level of severance proposed by Delta for officers and directors is about one-half less than what United had for the same management positions while in bankruptcy and, generally, one-third to one-half less than the levels approved for US Airways and Northwest. Kight said that even that comparison is misleading because "managements' base salaries at those carriers is generally higher than Delta's and they generally have bonus and incentive plans in place as well. Severance at other companies is often calculated as a multiple of base salary plus target bonus."

Delta said it needed the severance program now because it is in the process of eliminating another \$200 million annually in overhead and administrative costs, which will include job loss for some of its officers and directors. The management ranks at Delta already have been reduced by 35 percent since January, 2003.

"Without this protection, Delta's officers and directors would be the only group of full-time Delta employees with absolutely no bridge to another job should they lose theirs suddenly," Kight concluded.

On the first day of the bankruptcy case, Delta sought and received authority from the court to honor severance and furlough provisions for all of its full-time employees, including pilots, except for officer- and director-level employees. Unlike other carriers and Chapter 11 debtors, Delta waited to monitor business conditions before deciding whether a modest severance program was needed for its senior-most employees.