

Judge Nudges Delta, Pilots Union Sweetens Concessions As Talks Continue

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New York — The bankruptcy judge hearing Delta Air Lines' plea for pilot cost concessions said hearings on the issue could take more than a month.

Such a delay would be unwelcome news to the Atlanta carrier, which has said it urgently needs \$325 million in annual pilot cost savings to survive.

But it could also signal that Judge Prudence Beatty is trying to nudge the two sides toward an agreement they can both live with, rather than allowing Delta to impose new terms.

"This is a contest, and we'll just have to keep going until somebody gives or I have to rule," Beatty said.

A hearing on Delta's request that Beatty void the pilots' contract, which would enable it to unilaterally cut pay, resumed Monday after a week-and-a-half recess. There were signs of continued behind-the-scenes efforts to strike a deal.

Officials of the Air Line Pilots Association said the union on Friday sweetened its \$90 million-plus counteroffer to Delta, but a company spokesman said the deal didn't boost needed cash savings.

"The lines are open," Delta spokesman Dan Lewis said Monday.

"As a Delta employee I hate being in bankruptcy court," said union Chairman Lee Moak. "I wish we could work this out consensually." He said Delta, however, has not modified its demands.

Delta says it needs the concessions from pilots, including a 19.5 percent pay cut, as part of a \$3 billion plan to stem losses that have topped \$11 billion in the last four years. The airline filed a motion earlier this month seeking the bankruptcy court's approval to void the labor contract of its 6,000 pilots and impose concessions.

By the end of Monday's hearing — the third day of testimony this month on Delta's motion — only two of up to 21 witnesses had testified. This round of hearings is scheduled to go through Wednesday.

Airline has eye on calendar

Beatty cautioned Delta that the proceeding could go past the mid-December time frame in which the airline's lawyers believe a decision is due.

"In a big case like this, you can't possibly work with timelines like those," said Beatty. Delta attorney Jack Gallagher argued that Delta should be able to impose its own terms 30 days after the first Nov. 16 hearing if Beatty doesn't make a decision.

"I believe you and I are going to have a difference of opinion about a lot of things," Beatty told Gallagher during a sometimes heated exchange.

Beatty also batted aside Gallagher's argument that pay cuts already imposed on nonunion employees need to be considered. Beatty said the nonunion pay cuts have no bearing because those employees don't have a labor contract.

"One can talk of union-busting, and that is precisely what this type of motion has the taint of," said Beatty. She also cautioned lawyers and spectators that they cannot read any leanings into her courtroom comments, which have often been caustic during her more than two months handling Delta's Chapter 11 case.

In Monday's testimony, Delta finance chief Ed Bastian said Delta would not have gotten additional financing to bankroll its bankruptcy reorganization without plans to cut total labor costs by \$930 million, and that the pilot cuts are a major element of that.

"Until we can move our costs in line with competitors, we will continue to lose business," said Bastian.

But under cross-examination by the pilot union's attorney, Bastian also admitted that the recent drop in fuel prices has cut Delta's annual costs by hundreds of millions.

Delta filed for Chapter 11 protection on Sept. 14, after this year's sharply higher fuel prices swamped its efforts to recover from five years of huge losses.