

Delta judge wary of 'union busting'

Judge presiding over airline's bankruptcy expresses concern about voiding pilots' contract.

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NEW YORK (Reuters) - The judge presiding over Delta Air Lines Inc.'s bankruptcy says that the carrier's motion seeking to void its pilots' labor contract had the taint of "union busting."

"The issue is whether or not at this time I should permit the rejection of the union contract," Bankruptcy Judge Prudence Beatty said Monday. "One can talk about union busting and that is precisely what this kind of motion has the taint of. ..."

Her remarks came amid a testy exchange between the judge and Delta lawyer Jack Gallagher in which Beatty, who the pilots have in the past [accused](#) of siding against them, assailed some of the airline's main arguments.

The No. 3 U.S. carrier is asking the court to void the pilots' contract so it can force them to accept \$325 million in givebacks, part of \$3 billion in cost cuts and revenue hikes it says it needs to stem its losses.

"Frankly, I think you have a bias here," she told Gallagher. "It's a personal bias against the pilots."

Gallagher argued that the airline needed to weigh the pilots' rights against those of its 44,000 other employees.

"There is not enough money left in this company to continue to pay these pilots," he said.

Earlier, the pilots' lawyer Bruce Simon grilled the carrier's chief financial officer, questioning the numbers in Delta's restructuring plan.

"Your projection of your fuel expense is \$100 million above what the market tells us today," said Simon, a lawyer for the Air Line Pilots Association, which represents Delta's 6,000 pilots.

Delta's plan for stemming its cash drain next year and regaining positive cash flow in 2007 was finalized in September, reflecting oil prices which peaked shortly after Hurricane Katrina.

The plan is based on an estimate of jet fuel priced at \$1.73 per gallon

in 2006 and 2007. That compares with current market forecasts of \$1.69 a gallon, Simon said, adding that each penny of added fuel cost is equivalent to \$25 million to \$26 million in costs on an annual basis.

The price of jet fuel "has now moderated very significantly," Simon said before a courtroom packed with uniformed pilots and other observers.

Delta Chief Financial Officer Edward Bastian, in his second day on the witness stand, acknowledged that fuel prices had gone down, but said that big risks remained.

Under questioning from Simon, Bastian also acknowledged that the Atlanta-based carrier does not have a contingency plan in place in case of a strike, which the pilots have threatened if the court throws out their contract.

"We've made very clear that we think that if a strike were to occur it would be devastating for the company," he said.

Bastian said in a brief interview following the hearing that Delta still hopes to reach an out-of-court settlement with the pilots, though he said no formal talks were under way.