

Northwest Reaches Tentative Deal With Pilots

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MINNEAPOLIS (AP) -- Pilots reached a tentative pay-cut deal with Northwest Corp. Friday, a major step toward ending a showdown that put the bankrupt airline's future in doubt.

The nation's fourth-largest airline said it got the \$358 million in savings it sought, but other details weren't released. This deal, as well as pacts reached earlier with flight attendants and ground workers, needs ratification to be final.

The agreement removed the threat that Northwest would simply impose the cuts it wanted on pilots. Pilots said they'd strike if that happened, and both sides agreed that could have killed the airline.

"The tentative agreement is a painful but necessary part of a successful restructuring of Northwest Airlines," said Mark McClain, head of the Northwest branch of the Air Line Pilots Association. "If all of us can distance ourselves from these recent labor struggles and focus on ensuring the future success of Northwest we can begin looking forward to our emergence from bankruptcy as a proud and profitable airline."

Like other bankrupt airlines, Northwest used the leverage of the bankruptcy code to pry concessions from unions that never would have given them otherwise. Northwest first sought pay cuts in 2003, claiming the highest labor costs in the industry. The disparity only grew as bankrupt competitors won concessions from workers.

Ironically, the pilots who held out until Friday were the first Northwest employees to accept cuts. In late 2004 they took a 15 percent pay cut and urged other unions at Northwest to do the same. They didn't. Mechanics, cleaners and custodians even struck in August rather than accept Northwest's demands.

Northwest filed for bankruptcy protection on Sept. 14, and eventually asked its bankruptcy judge to let it reject several union contracts. Under that threat, one by one, the unions made deals. By Friday, only the pilots were left.

But they are arguably Northwest's toughest union, and among the toughest at any airline. Northwest pilots have struck five times since 1960, including 1998. In intense talks in New York this week, they let a judge's Wednesday deadline come and go, taking a risk that Northwest would impose its terms unilaterally, or that the judge would rule in Northwest's favor.

Northwest ended up getting the \$1.4 billion in concessions it wanted from union workers as well as two rounds of pay cuts for salaried and management employees. Chief Executive Doug Steenland went to New York late last week to lead the Northwest team, spokesman Kurt Ebenhoch said.

Friday's deal leaves only Delta Air Lines Inc. pilots holding out in this round of concessions. But some airline experts didn't think this would be the last time airline unions are pressed to work for less.

"This'll put pressure on the non-bankrupt carriers such as American and Continental to get further changes," Calyon Securities analyst Ray Neidl said. "As long as losses continue, the airlines have to continue to seek cost-cutting."

A central issue in the talks was who will fly smaller regional jets that feed passengers from smaller cities into Northwest's hubs in Minneapolis, Detroit and Memphis. Northwest has more need for small- and mid-sized jets than most carriers because it serves so many small Midwestern cities. Northwest had wanted to use more outside pilots on those planes, even proposing a new subsidiary for that service.

Northwest pilots, many of whom fly aging, soon-to-be-replaced DC-9s into those smaller cities, viewed any loss of those routes as a frontal assault on the union. It was the core of their strike threat.

Neidl said it's too soon to know how much the pilot agreement will help Northwest, because details weren't released about how they solved that small jet issue.

Besides re-sizing its fleet to line up with the markets it serves, Northwest on Friday said its bankruptcy plans include cutting labor and non-labor costs and restructuring its balance sheet. It said it's trying to cut a total of \$2.5 billion in annual costs (including the \$1.4 billion in labor costs) "in order to return the company to profitability on a sustained basis."

Airline labor relations expert Daniel Petree, dean of the business college at Embry-Riddle Aeronautical University in Daytona Beach, Fla., said airlines need more than cheaper labor to make money again. They need to figure out how to boost revenue, and it wouldn't hurt if fuel was cheaper.

"It wouldn't take much more than another economic downturn to basically throw everybody back into bankruptcy," he said.

"If I were on either side of the bargaining table I wouldn't assume my work is done."