

AP

## Delta Air Lines Chapter 11 Plan Approved

Wednesday April 25, 7:58 pm ET

By Vinnee Tong, AP Business Writer

### Judge OKs Delta Air Lines Chapter 11 Exit Plan; Airline to Leave Court Protection Next Week

NEW YORK (AP) -- It took almost two years and 6,000 job cuts, but Delta Air Lines on Wednesday at last received the approval it sought to emerge from bankruptcy protection as an independent company.

On Monday, it plans to be reborn, with new shares, a restructured fleet and lower labor costs, but without the protection from creditors that the court provided.

Atlanta-based Delta Air Lines Inc. will again have to answer to shareholders, who likely will want to see results quickly.

Delta estimates it will be worth \$9.4 billion to \$12 billion. During its reorganization, the nation's third-largest airline slashed \$3 billion in annual costs.

More than 95 percent of creditors voted to endorse the plan for Delta to leave bankruptcy as a stand alone carrier. That plan had been put in jeopardy by a \$9.8 billion hostile takeover bid launched last fall by Tempe, Ariz.-based US Airways Group Inc. Delta successfully persuaded creditors to back its blueprint to emerge from bankruptcy and reject the buyout offer.

Airline industry analyst Robert Mann said Delta was not likely to try to combine with another carrier in the near term. Industry watchers have speculated that Delta might join with Northwest Airlines Inc., which filed for bankruptcy the same day Delta did.

Mann said an acquisition was less likely outside of bankruptcy.

"That sense of urgency has passed, not because it really has, but because the perception is that we've dodged that bullet," Mann said. "I think it's a decidedly positive event for Delta."

He said Delta's success depends on its ability to grow its international routes, and that its expansion was by no means guaranteed. The international air travel marketplace is increasingly competitive, especially given the possibility of more competition on routes across the Atlantic and to China.

Now that it is leaving court protection, Delta may sell off its regional carrier subsidiary, Erlanger, Ky.-based Comair, which has received poor marks for lost baggage and flight delays.

Chief Executive Gerald Grinstein said Wednesday not to expect any "immediate action" on Comair since the company has a new board of directors.

Delta's board will also choose a successor to Grinstein, who plans to retire. Grinstein, who is 74, has said the two leading internal candidates are Chief Financial Officer Ed Bastian and Chief Operating Officer James Whitehurst.

Delta will celebrate its emergence Monday in Atlanta. Shares in the reorganized Delta, with the ticker symbol DAL, are scheduled to begin trading again next Wednesday on the New York Stock Exchange.

"I feel elated," Grinstein said Wednesday. "For the 47,000 (employees) ... they're the ones who went through all the angst and made the sacrifices. It's for them I feel extreme relief."

Delta's reorganization plan will give unsecured creditors between 62 percent and 78 percent of the value of their allowed claims as shares of new Delta stock.

The company's existing stock, which will be worthless, continued to trade until the court's approval of the plan. The shares fell 3.5 cents, or 21.2 percent, Wednesday to 13 cents on the Pink Sheets, an over-the-counter electronic trading platform.

Since January 2001, the company has lost a total of more than \$18 billion. In recent months, though, Delta's financial situation has improved, with the company projecting a 2007 pretax profit of \$816 million, excluding special charges and reorganization costs.

Delta entered Chapter 11 on Sept. 14, 2005, amid high fuel prices and the burdens of soaring labor and retirement benefits expenses.

Since then, passengers on all airlines have experienced growing flight delays as staffs are trimmed and fares go up, driven by rising fuel costs. While in bankruptcy, Delta had expanded its international flights and will continue growing that part of the business, focusing on John F. Kennedy International Airport in New York.

Delta now flies to 307 destinations in 52 countries, with flights going to 31 trans-Atlantic stops. It added more than 60 new international routes last year alone.

Next week, 39,000 Delta employees are expected to receive cash and new stock in Delta worth a total of \$480 million. The total equity stake the employees will get equals 3.5 percent of the company. Delta is also giving 1,200 managers a 2.5 percent stake, valued at \$240 million, in the reorganized company.

Delta employs 47,000 employees now. It had 53,000 employees when it entered bankruptcy.

Since January 2001, Delta has announced that it would cut up to 33,000 jobs.

Before entering bankruptcy, Delta had already sought \$5 billion in cost savings to be reached by the end of 2006.

Grinstein said the board would hold a regularly scheduled meeting over dinner Wednesday night.

AP Business Writer Harry Weber in Atlanta contributed to this report.