

Pilots Denounce 'Bullying Attack' Over Salary Cuts

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Delta Air Lines says its turnaround plans should produce an annual profit of nearly \$500 million by 2007 — but first it has to navigate an increasingly tense standoff with its pilots union over a new round of pay cuts.

The union's chairman on Wednesday blasted Delta for a "bullying attack" when the airline filed a motion asking its bankruptcy judge to reject the pilot contract and impose a 19.5 percent pay cut and other concessions.

Lee Moak, a pilot who heads Delta's Air Line Pilots Association unit, said in a letter to members that the airline's move is "a clear declaration that management has failed," and said he was authorizing the creation of a "strike preparedness committee."

"Faced with this management onslaught, our only choice is self-defense," wrote Moak.

Despite the escalating tactics and rhetoric, both Delta and ALPA say they still hope to negotiate a deal. Moak said the union will "continue to work to convince management to reach a settlement instead of imposing their terms on us — the so-called cram-down approach."

In a letter to pilots late Tuesday, Delta's finance chief, Ed Bastian, and other executives likewise said "our intent and strong preference is to reach an agreement in a timely manner for the necessary \$325 million ... without having to seek a court-ordered resolution."

Delta filed for Chapter 11 protection on Sept. 14, following losses of about \$10 billion since early 2001. A few days later it laid out a turnaround plan that called for new job and pay cuts. The pay cuts for nonunion workers, ranging from 7 percent to 10 percent for most, took effect Tuesday.

Delta says it needs \$325 million in annual savings from pilots. The two sides began talking several weeks ago, but in Chapter 11 Delta has the option of asking a judge to impose terms, and it did so late Tuesday.

A hearing is scheduled for Nov. 16.

Meanwhile, Delta said in a related court filing that it will post a \$498 million profit in 2007 if it is able to complete its Chapter 11 restructuring as planned. Such a profit would be the airline's first since 2000.

"In order for the business plan to have a chance to be successful, however, Delta needs first to survive a serious but short-term liquidity shortfall," said Bastian in the court filing. He projected that Delta will lose \$2.1 billion this year and \$412 million in 2006.

In addition to pay and job cuts, the airline's plan calls for reworked routes and debt and lease restructuring through the Chapter 11 process.

Delta's so-called 1113 motion to impose new pilot contract terms is named after a section of the bankruptcy code. It starts the clock on a roughly 51-day process for the bankruptcy court to hold a hearing and decide whether to reject the pilots union's labor contract.

However, most other big airlines that have filed similar motions in Chapter 11 negotiated concession deals with their unions before the judge reached a final decision.

In addition to new pay cuts, Delta wants to cut benefits and shift more flying to regional carriers, among other concessions.

Last year, pilots agreed to a 32 percent pay cut and other concessions to keep Delta out of bankruptcy court, but Delta's losses continued and Delta filed for Chapter 11 in September. Prior to last year's cuts, Delta pilots were the industry's highest-paid by a wide margin.