

Pilots say Delta to save \$143M

Cuts in the tentative union deal are less than half of what airline wanted; experts say more needed.

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NEW YORK (Reuters) - Bankrupt Delta Air Lines Inc.'s tentative interim deal with its pilots' union will save the airline about \$143 million a year until a comprehensive agreement is reached, a union spokeswoman said Monday.

The real value of the savings for Delta is about \$12 million a month, said Air Line Pilots Association (ALPA) spokeswoman Kelly Collins.

The No. 3 U.S. airline reached an agreement with ALPA late Sunday that provides for a 14 percent hourly wage reduction as well as cuts in other pay and cost items equivalent to another one percent. The two sides aim to negotiate a comprehensive deal by March 1, with pilot membership ratification due by March 22.

Atlanta-based Delta, which filed for Chapter 11 bankruptcy protection in September, has been seeking \$3 billion in cost savings and revenue increases it says it needs to survive.

Delta asked for \$325 million in salary and other concessions from its pilots, while the pilots' union had initially offered about \$90 million in givebacks, Collins said.

Delta had been seeking to cut its pilots' compensation by \$195 million, according to court documents, with additional cost savings sought through changes to work rules and benefits.

The savings from the tentative interim agreement correspond only to the 14 percent wage cut, both ALPA and Delta said.

Delta spokeswoman Chris Kelly said: "This will provide immediate financial relief while we work together with ALPA to reach a comprehensive agreement."

Ray Neidl, an analyst at Calyon Securities, said the company needs the entire \$325 million to get its cost structure down.

"They really need pretty much everything they are asking for," he said.

Delta said Sunday the agreement, which also provides for the termination of a post-retirement program, was subject to pilot ratification no later than Dec. 28. The post-retirement plan allowed Delta to tap into a pool of retired pilots if it faced staffing shortages.

Delta and ALPA will also ask the Bankruptcy Court to suspend a hearing on Delta's bid to void the pilots' existing collective bargaining agreement, pending ratification of the new deal.

The cost reductions would be effective from Thursday and would remain in effect while Delta and the pilots, who have threatened to go on strike, seek the comprehensive agreement.