

Delta Air Lines Releases Oral Testimony of CEO Gerald Grinstein as Prepared for Senate Hearing

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WASHINGTON, Jan. 24, 2007 (PRIME NEWSWIRE) -- Delta Air Lines today released the following oral testimony of CEO Gerald Grinstein as prepared for the Senate Commerce, Science and Transportation Committee hearing on the impact of consolidation on the airline industry.

"Thank you Mr. Chairman and Members of the Committee for the opportunity to discuss my views about the impact of consolidation on the airline industry generally, and US Airways' hostile takeover attempt of Delta specifically.

Congress is right to carefully examine this important public policy issue because the decisions made now will affect the competitive landscape for years to come. Your decisions on consolidation, including any decisions made about the proposed US Airways/Delta merger, will impact consumers and communities across the country. If this deal is allowed to go forward, it most certainly will trigger broad industry consolidation. And the likely outcome of follow-on consolidation would leave the combined Delta and US Airways the weakest of the carriers, with little West Coast and Asia presence and a staggering debt load of \$24 billion.

In many ways the market has already helped restructure the airline industry, so it is not clear to me that consolidation is inevitable.

But if consolidation does happen, it should happen in a way that does not unfairly penalize employees, does not harm consumers and communities, and provides long-term value for all stakeholders. To ensure this, each transaction should be evaluated on its own merits.

A Delta-US Airways merger -- a merger that is even more anti-competitive than the proposed United/US Air merger rejected in 2001 by the Department of Justice -- is the poster child of the worst kind of merger and on its merits it should be rejected.

Of course, we take seriously our fiduciary duty to maximize the value of our company for our creditors. Some of our work in this area has generated rumors and speculation. One such is that Delta is negotiating with Northwest. To be very clear: we are not negotiating any such deal with Northwest.

Importantly, the US Airways deal would reverse the hard work and remarkable progress Delta people have made restructuring our airline. In just 16 short months since filing for Chapter 11, Delta is poised to emerge from bankruptcy this spring as a strong, fiercely competitive, standalone airline.

Using the bankruptcy process the right way, Delta people have transformed our company's business model and will soon realize a healthy, financially viable company with the best balance sheet and the lowest cost structure among the network carriers.

Delta has:

- * significantly reduced its debt load from \$17 billion to a projected \$7.5 billion by the end of this year;
- * vastly increased productivity and eliminated \$2 billion in annual costs;
- * generated a sound liquidity position and profitability;
- * right-sized its domestic network, adding more profitable

international routes. Delta provides service to over 200 domestic and 95 foreign destinations. Having undertaken the largest international expansion in our history, we are now the number one U.S. carrier across the Atlantic.

As a real testament to Delta people, during this time of upheaval and uncertainty, the company's operating performance and customer satisfaction scores actually improved, earning Delta the number two spot in the 2006 J.D. Power & Associates customer satisfaction survey for airlines.

As a result of Delta peoples' efforts, our company will emerge as a formidable global competitor with an estimated consolidated equity value of between \$9.4 billion and \$12 billion and one of the strongest balance sheets in the industry.

So unlike US Airways' situation before it was acquired by America West, Delta does not need to be acquired to be saved. Nothing could be further from the truth.

It is clear that what Delta employees have worked and sacrificed together to realize is achievable and well in-sight. This is the moment they deserve. And this is the moment US Airways' merger proposal would unfairly, and unnecessarily, take away from them.

Delta people deserve to determine their own destiny. With me today are Captain Lee Moak, chairman of Delta ALPA, the union representing some 6,500 Delta pilots; members of Delta's Board Council -- the group representing nearly 40,000 Delta employees; and Cathy Cone, chairman of Delta's retiree committees, representing more than 36,000 retired Delta people and their families. They are steadfastly united in their opposition to the US Airways' deal. Among their many issues of concern, they are justifiably worried about the estimated 10,000 jobs that likely will be eliminated due to the 10% capacity reduction US Airways has said will take place as a result of a merger with Delta.

Each has prepared a statement for the Committee that provides compelling rejection reasons. With your permission, Mr. Chairman, I request that they be submitted for the record.

The US Airways/Delta merger also must be rejected and opposed because it is blatantly anti-competitive. As the overlapping route chart on the easel here graphically conveys, Delta and US Airways compete extensively up and down the eastern seaboard and in routes to many western states. Our hubs are natural competitors due to their geographic proximity. We jokingly refer to them as the three twins and a triplet.

My written submission has substantial analysis and data on the anti-competitive impact of this proposed merger. Rather than going into detail, in the interest of time I want to leave you with just a few statistics that illustrate the magnitude of the anti-competitive nature of this deal:

This merger will create a near monopoly -- over 90% passenger share -- in more than 1,500 markets affecting over 8.5 million passengers.

And, in nearly 4,000 city pair markets, over 33 million passengers will see a significant reduction in competitive choice.

Small communities most certainly will suffer. Though US Airways denies this, its track record tells another story. Since its merger with America West, service has been reduced in 66 small communities -- more than double the number where it increased flights. Low cost carriers have not filled the void. This deal is even worse. As structured, it will put at risk critical air service in small

communities by creating an airline that is the largest service provider in 127 small communities.

With less competition, fares will increase. Again, US Airways denies this. Again, one only has to look at its track record: Since its merger with American West, for every market where US Airways lowered fares, the average fares increased in four times as many markets.

Maybe that's why tens of thousand of people, from all 50 states and 105 countries, have joined Delta peoples' rallying cry to "Keep Delta My Delta" by signing the campaign's e-petition and sending you more than 155,000 letters in opposition to this deal.

They, like we, understand that this deal is:

- * Bad for Delta people who don't want their jobs and benefits jeopardized;
- * Bad for the traveling public who want to keep air fares low and customer service high; and
- * Bad for small communities who want to keep their access to air service and their economies healthy.

In sum, US Airways' hostile takeover attempt is nothing more than one company's ill-conceived plan to eliminate its principal competitor, and it should be rejected.

Again, thank you for the opportunity to address this issue of paramount importance to Delta, its people, customers, creditors, business partners and suppliers, and the hundreds of small communities that rely on us.

We appreciate the Committee's interest, and I look forward to answering your questions."

Delta Air Lines (Other OTC:[DALRQ.PK](#) - [News](#)) offers customers service to more destinations than any global airline with Delta and Delta Connection carrier service to 304 destinations in 52 countries. With more than 50 new international routes added in the last year, Delta is America's fastest growing international airline and is a leader across the Atlantic with flights to 31 trans-Atlantic destinations. To Latin America and the Caribbean, Delta offers nearly 600 weekly flights to 58 destinations. Delta's marketing alliances also allow customers to earn and redeem SkyMiles on more than 14,000 flights offered by SkyTeam and other partners. Delta is a founding member of SkyTeam, a global airline alliance that provides customers with extensive worldwide destinations, flights and services. Including its SkyTeam and worldwide codeshare partners, Delta offers flights to 457 worldwide destinations in 97 countries. Customers can check in for flights, print boarding passes and check flight status at [delta.com](#).

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