

**Testimony of Gerald Grinstein, CEO – Delta Air Lines, before
the U.S. Senate Finance Committee Hearing on “Preventing
the Next Pension Collapse: Lessons from the United Airlines
Case”**

June 7, 2005 -- 10 a.m.

Good morning, Mr. Chairman and members of the committee. My name is Jerry Grinstein, and I am CEO of Delta Air Lines. My appearance before you today is on behalf of more than 80,000 active and retired Delta people.

First, let me thank you for placing a spotlight on the airline pension funding crisis, and also ask that my full written testimony be included as part of the official record. Doug Steenland already has testified about the perfect storm of economic and other factors that led to this crisis, and why the current funding rules must be fixed.

The situation has grown even more urgent since US Airways and United Airlines shed approximately \$15 billion in pension obligations in an effort to secure financing needed to emerge from Chapter 11.

These moves place additional competitive pressure on Delta and other airlines facing large, immediate funding contributions at a time when we can least afford them.

As a result, airlines are at a crossroads.

Without changes to the current rule, airlines will almost certainly be forced into bankruptcy and the transfer of additional pension liabilities to the PBGC.

Alternatively, if Congress chooses to move swiftly to pass legislation that provides a manageable, affordable pension funding schedule, airlines will have a far greater chance to continue the business transformation the new marketplace requires out of court.

The decisions made now about the pension funding crisis will be far reaching and profound.

They will affect the future of airline employees and retirees, the Pension Benefit Guaranty Corporation, the traveling public, and the major network airlines that – despite financial challenges -- continue to serve as the backbone of our nation's air transportation system.

Delta believes S. 861, The Employee Pension Preservation Act, offers a workable solution to the crisis by balancing the interests of all parties.

- First, employees and retirees would have a greater chance of receiving the full pension benefits they have earned rather than see those benefits reduced, perhaps significantly, in a transfer of liabilities to the PBGC.
- Secondly, S. 861 places a primary focus on protecting the PBGC.
 - Let me state clearly and emphatically that Delta is not seeking a subsidy.
 - Instead, we are pursuing an opposite course – one that significantly limits additional PBGC liabilities and allows us to continue funding the benefits our employees and retirees are counting on.
 - Also, by making it less likely that airlines will transfer additional unfunded liabilities, the bill decreases the risk of a taxpayer funded bailout of the PBGC.

- Third, S. 861 would benefit the traveling public by providing a solution that supports stability in our nation's air transportation system as industry undergoes massive change.
 - Importantly, it is the network carriers with the heaviest pension funding requirements that provide the vast majority of international air service as well as the primary link between small and rural communities and the world.
 - Of Delta's 202 domestic destinations, 50% are small cities with limited service options.
 - Parkersburg, West Virginia; Meridian, Mississippi; St. George, Utah; Portland, Maine; Twin Falls, Idaho; Ft. Smith Arkansas; Helena, Montana; Casper, Wyoming; and Medford, Oregon are all examples of communities not served by the low-cost carriers whose business models focus on high-density markets.
- And finally, S.861 would benefit Delta and other airlines by removing an enormous barrier to our ability to access capital markets, a key component in completing the transformation process outside of bankruptcy.
 - Delta understands the need for transformation and has not been idle.
 - We are taking responsibility for changing our business model to respond to a new marketplace. Compared to 2002, our company is now one-third more productive and cost effective.

- Reaching this point required the hard work and sacrifice of Delta people, including the loss of 23,000 jobs -- a 30% reduction in staffing -- as well as cuts in pay and benefits throughout the company.
- Delta, Northwest, and other airlines are working together to help prevent further pension collapse and the associated hardships.
- Record high fuel prices, fierce competition, and a pension funding obligation of \$2.6 billion over the next three years for Delta alone make changes to current pension rules crucial to this effort.
- We look forward to working with this Committee to establish a solution that avoids a disorderly, chaotic restructuring of the industry and instead supports stronger, healthier air transportation system for this nation and the public it serves.

Thank you; and now I'll be glad to try to answer any questions members of the committee may have.