WRITTEN TESTIMONY OF
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BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

REGARDING
"IMPACT OF CONSOLIDATION ON THE AVIATION INDUSTRY, WITH A FOCUS ON THE PROPOSED MERGER BETWEEN DELTA AIR LINES AND NORTHWEST AIRLINES"

May 14, 2008

STRONG • FOCUSED • SAFE
ALPA 75 Years
OF PILOTS IN COMMAND

Thank you, Mr. Chairman and members, for holding this hearing and providing me with the opportunity to testify with regard to the proposed merger between Northwest Airlines and Delta Air Lines.

I am Captain Dave Stevens, and I am Chairman of the Master Executive Council of the Air Line Pilots Association at Northwest Airlines. I am a 23-year Northwest pilot, previously employed by People Express and proudly served in the U.S. Air Force as an active and reserve pilot. There are currently over 5,000 ALPA-represented pilots flying for Northwest Airlines. The pilots at Northwest have undertaken an ongoing review of the proposed merger. We recognize that the combined company has the potential of becoming a stronger and more viable airline. However, the Northwest ALPA Master Executive Council and our pilots strongly oppose the merger as it now stands. The total economic potential of the combined corporation will not be achieved without a joint pilot contract, which is the only way for all of the predicted revenue enhancements and cost savings to be realized. A joint contract would also resolve potential labor discord which is counterproductive to achieving economic success. Given the current high cost of fuel, the broad economic downturn and the substantial costs related to an airline merger, the future viability of the combined company will be in question if it is unable to take advantage of every revenue opportunity.

A critical evaluation of the economics of the proposed merger is in the best interest of all groups affected by this merger. Management of the two airlines has stated that the merger will produce greater profitability as a result of a series of "synergies" that allow increased revenue and reduced costs. They will predict a financially stronger airline, one better able to serve all its stakeholders, including its customers. According to management, these synergies will result from an end to end merger rather than a traditional overlap reduction merger. However, many of the synergies and therefore much of the economic benefit management is counting on will be unavailable without a common contract that includes Northwest pilots. Indeed, for the new combined Delta/Northwest to have any chance of fully realizing its potential, all employee groups must be treated fairly regardless of their pre-merger carrier. Why is this true? Without a joint pilot contract, the two airlines' flight operations must remain separate, and without a single airline operation, much of the needed revenue growth and cost savings will not be achieved. Layer in the bad will created by contractually treating Northwest employees as "B scale", and matters will be even worse.

We appreciate Delta management's statements of optimism that we can obtain a common contract and an integrated seniority list prior to the date of corporate closing. However, we believe actions speak louder than words. To date, we have no negotiating sessions scheduled. Furthermore, Delta management has found the time to reach a tentative agreement with Delta pilots effective on the date of closure that excludes Northwest pilots. The more we review this document, the more questions we have as to Delta management's intent. We feel there is no reason to have several of the provisions in the new Delta pilot contract if the intent is truly to have a joint contact before closing. We are concerned that the reason for this agreement may be to put economic pressure on Northwest pilots to agree to an unfair seniority list. We will not do that. Contract terms can be changed, seniority is forever.

We agree with the statement of the Delta pilots that in their analysis a merged Delta-Northwest airline is stronger than a Delta standalone airline. However, our review shows that, as currently

structured, the same is not true for Northwest. Given the current structure of this merger, we believe a standalone NWA is stronger than a merged Delta and Northwest. Our review also shows that Northwest Airlines is the best placed of any legacy carrier to weather the current high cost of fuel and economic downturn. Northwest has an enviable route system that includes a Pacific hub, flexible fleet, a fuel efficient order book of B787 aircraft and the most relative cash on hand of the legacy carriers.

We also appreciate that Delta Air Lines and Delta ALPA have proud traditions. We acknowledge that Delta Air Lines began in Monroe, Louisiana in 1925 serving the Mississippi Delta and has grown into a world-class airline. Delta ALPA has provided outstanding leadership to ALPA pilots over the years. Unfortunately, both Delta management and Delta ALPA seem to have forgotten that we at Northwest have our own proud traditions. The wings I wear say U.S. Air Mail reflecting that Speed Holman, our founder, began by carrying U.S. mail to the northwest United States in 1926. Furthermore, Northwest pilots have provided ALPA leadership from the very beginning. The ALPA Minneapolis Council for Northwest pilots bears the designation of *ALPA Council #1* because Northwest pilots were leaders in establishing the Association in 1931. That leadership continues as the most immediate past President of ALPA National was a Northwest pilot.

The seniority list integration of two pilot groups is always challenging. We understand that Delta ALPA seeks to protect the career expectations of Delta pilots. We have the same goal for our pilots. The union which represents both pilot groups, the Air Line Pilots Association, has a long-standing policy which establishes a process to integrate two seniority lists. Unfortunately, Delta management has sought to interfere in this process in support of the Delta pilot group. This support has created an unstable platform from which to achieve a successful merger because the Northwest pilots will not accept or agree to an unfair merged seniority list.
We understand that integrating the operations of these two large carriers will require a delicate balancing act to minimize employee discontent and maximize the employee harmony required to access the proposed synergies necessary for the merged carrier to be successful going forward. However, the steps to date will largely have the effect of maximizing employee discord. Rather than a joint statement by Mr. Anderson and Mr. Steenland that the new carrier was committed to a fair and equitable integration of work forces, we have only the statement of Mr. Anderson that he will protect the seniority of Delta employees, with the implication being that current Northwest employees will have to fend for themselves. Rather than negotiating a joint pilot contract, Delta Air Lines chose to negotiate contract improvements only for Delta pilots.

Notwithstanding the events leading to this point, the officers and representatives of the Northwest MEC are willing to negotiate with Delta management and Delta ALPA. However, time is critical. There is a small window of opportunity remaining in which to conclude a joint contract and a joint seniority list outside the traditional merger process.

I have tried in this statement to explain to you Northwest ALPA's concerns about the current situation. I ask that you evaluate this merger in the current context. I urge you to critically examine management's "promises" and statements of their "present intentions." Will the company meet its financial obligations and manage to abide by its promises to maintain current service and hubs, or will it shrink and shed thousands of jobs? What will the loss of those jobs mean to the broader economies of the states and regions affected? Will this merger work if management cannot achieve the expected synergies? In short, what happens if the merger does

not succeed? We believe the market place shares our concern as evidenced by the tremendous loss of value to the share price of both companies since the merger announcement.

In our view, the proposed merger is risky for Northwest and Delta passengers, communities and employees. With the price of oil, the weak economy, the closed credit markets and the huge costs of combining the two companies, there will be no margin for error. As it now stands, the combined company will not have access to all the predicted synergies due to the lack of a joint pilot contract. The same lack of a joint contract is likely to cause pilot labor friction. Labor friction in other employee groups is also possible. The net result may be a weak combined carrier in a terrible economic environment. We all must seek to avoid this result.

Finally, there is an old saying that goes, "Fool me once shame on you, fool me twice shame on me." Are airline owners and managers about to fool us again? Past airline mergers have rarely, if ever, occurred as managements predicted. Remember, the fabulous claims American Airlines made about what they would do upon acquiring TWA assets? Similarly, Northwest made promises about jobs in northern Minnesota and a corporate headquarters in Minnesota when it needed cash from the State of Minnesota in the early 1990s. In both cases, their later conduct differed from their statements. Northwest and Delta management have already laid the ground work for reneging on their current promises with respect to the pending merger. They have left ample room to claim that any future reduction in service or jobs will not be due to the merger but, instead, will be due to high oil prices or a weak economy, etc. Where will that leave consumers, tax payers and employees?

Again, Mr. Chairman and members, thank you for calling this hearing and for providing me with the opportunity to testify regarding the Northwest pilot perspective on the proposed Northwest-Delta merger. I stand ready for any questions you may have.