

Northwest and Delta Are Said to Be Near Filing

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has been anticipated for weeks, but any Northwest move was not expected for several more weeks as it hoped to win the \$1.4 billion in concessions from its labor unions that it said it needed to avoid a court filing.

But the jump in fuel prices in the wake of Hurricane Katrina moved the company's timetable forward, people with direct knowledge of the company's position said last night. Still, a lively debate was expected at the meeting over whether to file now or wait, these people said.

Bankruptcy filings give companies a chance to overhaul their operations and negotiate lower payments to creditors as well as streamline in ways they could not accomplish outside of court protection.

But for these companies, bankruptcy would not eliminate the challenge posed by low-fare airlines, like Southwest and JetBlue, which now carry one-third of passengers on flights within the United States.

They can charge less for tickets

Stretched Thin

Most of the major airlines are struggling.

OPERATING EXPENSES

Cents per available seat mile, first half of 2005

	LABOR	TOTAL
American	3.5	9.9
Continental	3.0	9.9
United*	3.0	10.4
US Airways*	2.7	10.7
Delta	3.4	10.7
Northwest	4.1	11.2

OPERATING MARGINS

As a share of revenue, first half of 2005

American	+ 2.5%
Continental	- 1.0
United*	- 2.4
S Airways*	- 4.5
Northwest	- 7.9
Delta	-13.9

*In bankruptcy

Source: BackAviation Solutions

Little immediate effect seen for travelers, but heavy job losses are likely.

because they operate at much lower costs than their major competitors, employing fewer workers for each airplane and having much quicker turnaround times at airports. That, in turn, allows them to make more flights a day than big airlines.

The low-fare airlines' growing presence, up from just 6 percent of passengers in 1990, has kept the big airlines from passing along the punishing rise in the price of jet fuel; the airlines use 19 billion gallons of fuel a year.

Before Hurricane Katrina, airlines were already paying 50 percent more this year for jet fuel than in 2004. Prices jumped 25 percent in the days afterward, although they have since moderated slightly.

Northwest and Delta, like most of their competitors, have no financial protection to shield them from the higher fuel prices, meaning they must immediately pay more in cash when prices go up.

The struggles of inefficient airlines and the rise of low-fare carriers are exactly what was envisioned when President Jimmy Carter ordered the deregulation of the industry in 1978, freeing the airlines from government controls on routes and fares, said Alfred E. Kahn, chairman of the Civil Aeronautics Board at the time.

"This is the continued working out of the restructuring that deregulation promised and made inescapable," Mr. Kahn said yesterday. He added, "I don't know where it is going to end."

At Northwest and Delta, at least, a way of life is coming to an end for employees.

United, which set off the biggest default in the history of the federal pension agency this year when it scrapped its traditional retirement plans, has obtained two deep rounds of cuts from its workers under bankruptcy protection, and it eliminated 25,000 jobs.

Jeremy Peters contributed reporting from Detroit for this article

US Airways, which had 46,500 workers before the September 2001 terrorist attacks led to deep declines in travel, now has just 22,000. Its workers took three rounds of cuts in its two bankruptcies.

"For American workers, it's an unrelentingly grim scenario," David Gregory, a professor of labor law at St. John's University, said yesterday.

But even though both companies warned repeatedly that they might have to seek bankruptcy protection, workers at each have resisted, especially at Northwest, which has lost \$3.6 billion since 2001.

It has been trying for three years to win concessions from its pilots, flight attendants, baggage handlers and other employees, raising its demand for cuts from \$900 million to \$1.4 billion in that time.

But only Northwest's pilots have agreed to cuts, and the airline is in the third week of a strike by 4,430 members of its mechanics' union, who walked out Aug. 20 over the airline's request for \$176 million in concessions.

Northwest has kept operating with 1,900 supervisors, contractors and replacement workers. Yesterday, it began offering permanent jobs to some replacement workers. If the strike is settled, Northwest will not have to rehire workers it permanently replaced.

Northwest shares lost half their value yesterday, after The New York Times reported on its Web site that the company was considering filing for bankruptcy protection today. Northwest stock fell \$1.74, or 52 percent, to \$1.57.

Delta stock, meanwhile, fell 7 cents, to 78 cents. Delta asked its pilots yesterday for another round of deep cuts, on top of the \$1 billion in concessions obtained a year ago, when Delta was on the verge of seeking bankruptcy protection.

Leaders of the Air Line Pilots Association, Delta's only unionized group, said they would start a three-day meeting next Monday to decide whether to negotiate with the company.

But by then, Delta may be in bankruptcy, a fate that its chief executive, Gerald Grinstein, has tried desperately to avoid. Mr. Grinstein, 72, took charge of the airline 20 months ago, and has since tried to cut \$5 billion in costs under a restructuring plan that included the elimination of 7,000 jobs.

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Fabrizio Costantini for The New York Times

Skycap workers under contract to Northwest waited for travelers yesterday at Detroit Metropolitan Airport.

nearly \$10 billion since 2001, sold Atlantic Southeast Airlines, one of its commuter airlines, to SkyWest for \$450 million. And Delta has been arranging the financing it will need to operate in bankruptcy, believed to be about \$1.7 billion, with lenders like GE Corporate Financing.

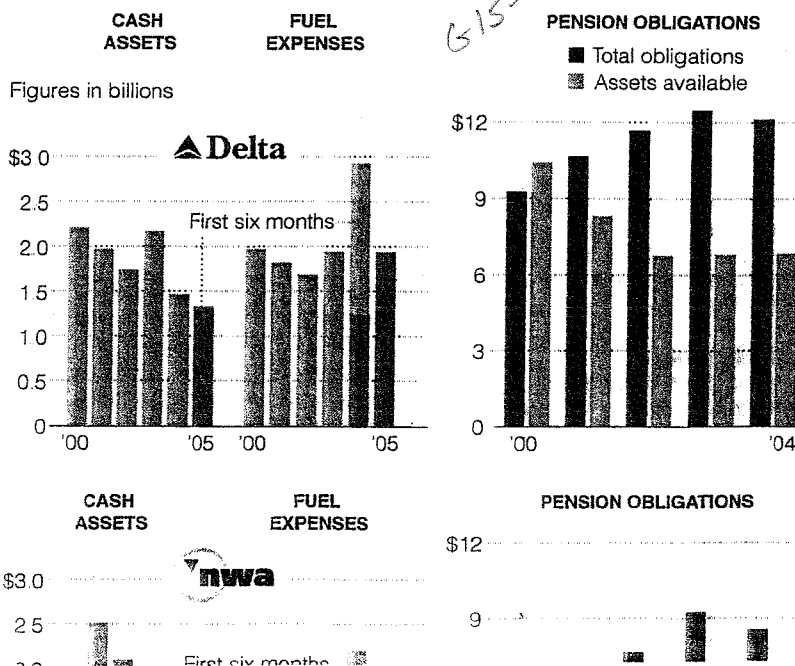
This week, however, came signs that the airline was running out of time. Along with seeking more cuts from the pilots, Delta did not make an interest payment on its corporate debt, taking advantage of a grace period that gives it more time.

A Delta spokeswoman, Chris E. Kelly, said the airline believed that the move was "a prudent step to take" while it decided whether to seek bankruptcy protection. Delta faces another debt payment on Monday.

Meanwhile, Northwest disclosed in a regulatory filing yesterday that it must make a \$65 million pension payment tomorrow, which it cannot skip unless it has filed for bankruptcy protection. Yesterday, the Treasury Department rejected a request by Northwest to delay the payment, saying it was limiting relief to corporations in the gulf region.

Problems With Cash Flow

Increasing fuel costs and dwindling cash assets have contributed to the financial woes of Delta and Northwest Airlines. Both companies are having difficulty meeting the cost of pension plans.



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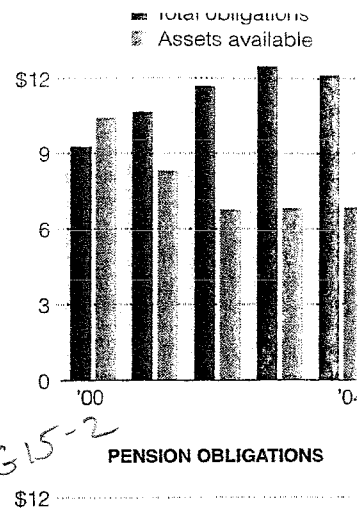
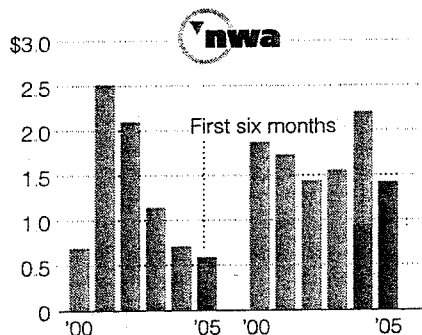
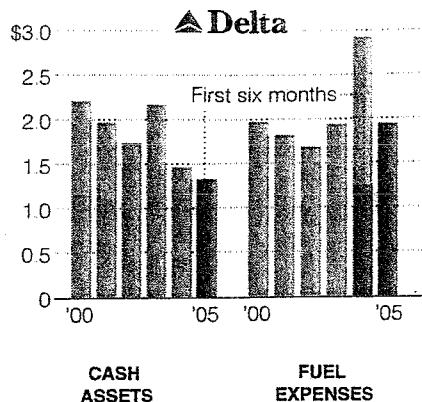
Northwest also disclosed that it
 had delayed \$42 million in debt pay-
 ments. These, and the pension pay-
 ment, would diminish Northwest's
 cash, which dwindled to \$1.7 billion
 this month from \$2.1 billion at the
 end of June.

But even that smaller amount
 could be enough to finance the air-
 line's operations in the first months
 of bankruptcy protection, serving as
 the equivalent of debtor-in-possession
 financing, said Philip A. Bagga-
 ley, an airline analyst at S. & P. That
 would explain why the airline has ap-
 parently not sought outside financing
 as Delta has done.

One advantage for Northwest is
 that many of its senior executives
 have experience with airline bank-
 ruptcies, particularly its chief execu-
 tive, Douglas M. Steenland, 53, a law-
 yer who took part in cases involving
 Continental Airlines and Eastern Air
 Lines.

And because Mr. Steenland is said
 to believe that his airline's bankrupt-

Figures in billions



Sources: Delta and Northwest Airlines company reports

The New York Times

cy case may take more than 18
 months, that is probably one reason
 Northwest as well as Delta may file
 today.

Federal bankruptcy laws change
 on Oct. 17, to give management only
 18 months to draft a restructuring
 plan.

Companies that file before Oct. 17
 can have more time if they can per-
 suade a judge to grant it. United, for
 example, has been operating under
 bankruptcy protection for nearly
 three years, and does not expect to

emerge until February.

Ron Adams, a member of the me-
 chanics union at Northwest, said he
 was not surprised to hear the airline
 was contemplating a bankruptcy fi-
 ling. But he said that did not make
 him any more willing to accept the
 cuts.

"I want to keep my job, but if they
 want to replace me, more power to
 them," Mr. Adams said yesterday
 while walking the picket line at De-
 troit Metropolitan Airport, one of the
 airline's hubs.

Fliers Start to Take Defensive Action

By CHRISTOPHER ELLIOTT

Carrie Charney is flying from
 New York City to Portland, Ore.,
 next month for her granddaugh-
 ter's bat mitzvah and then to Bal-
 timore to visit her daughter. But
 Ms. Charney, a retired insurance
 claims processor who lives in Bar-
 donia, N.Y., does not seem con-
 cerned about bankruptcy filings
 by Delta Air Lines and Northwest
 Airlines that could come today.

With good reason. Ms. Charney
 has bought tickets on Continental
 Airlines, which is in relatively
 good financial shape. "I wouldn't
 book a ticket on Northwest or Del-
 ta," she said. "Even if I found a
 cheap ticket on one of those air-
 lines."

Other air travelers say they,

Chapter 11. If nothing else, that
 may have a psychological effect
 on fliers.

"I wouldn't expect to see any
 major effects of these bankruptcy
 filings on passengers," Mr. Bagga-
 ley said. "I think both carriers will
 restructure successfully and con-
 tinue flying."

That sentiment is almost uni-
 versally shared by airline special-
 ists. Some even say that bankrupt-
 cy is the best thing to happen to
 carriers like Delta and Northwest.

"It's going to be good for the air-
 line, because it will give it the
 chance to restructure," said Joel

the Boyd Group.

Over the long term, passengers
 could notice a difference in routes
 and schedules. Raymond Neidl, an
 airline analyst with Calyon Secu-
 rities, said that although the bank-
 rupt airlines would maintain their
 frequent-flier programs, he would
 expect to see some revamping of
 routes. Some passengers might
 have to reschedule as both air-
 lines pare flights to cut expenses.

Several industry watchers also
 suggest that as routes are cut, and
 planes fly with more passengers,
 air fares might begin to rise from
 their historic lows, but competi-
 tion from low-fare carriers will
 help keep a lid on prices. The in-
 creases would be a welcome relief
 to the airlines, whose fuel bills
 have risen sharply this year.

Amid talk of

PRIZES

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King Kong
 Scream
 The Matrix
 The Bourne Identity
 The Bourne Supremacy
 The Bourne Ultimatum
 The Bourne Legacy
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