Delta and Northwest airlines declare bankruptcy

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Delta and Northwest, two of the largest airlines in the United States, filed for bankruptcy on Wednesday. Both companies indicated they would seek approval from Chapter 11 bankruptcy courts to drastically cut airlines workers' jobs, wages and pensions, and dramatically reduce the size of their fleets.

Delta, the nation's third largest airline, and Northwest, the fifth largest, join United Airlines and US Airways, which are already operating under bankruptcy court protection. Of the so-called "legacy" air carriers that existed prior to the onset of deregulation in 1978, only American and Continental are not in bankruptcy, but commentators suggested that these too might soon take the bankruptcy route in order to slash costs at the expense of their workers.

Delta and Northwest made their filings under conditions of ongoing and massive losses, exacerbated by soaring jet fuel prices, despite having already slashed thousands of jobs and imposed brutal reductions in pay and benefits. Northwest went into bankruptcy court in New York only one day after it began hiring permanent replacements for mechanics and cleaners whom the company forced out on strike on August 20.

The immediate motive behind the bankruptcy filings is to utilize the courts to rip up existing labor contracts and impose, by judicial fiat, the most sweeping attacks on jobs and working conditions in the history of the industry.

Last May, a federal bankruptcy judge ruled that United Airlines could default on its pension obligations and turn over control of its pension funds to the Pension Benefit Guaranty Corporation. The federal agency, already swamped by corporate pension defaults, at best provides only a fraction of the retirement pay supposedly guaranteed to workers under labor contracts with their employers.

There is little doubt that Delta and Northwest will seek judicial sanction for a similar theft of billions of dollars, leaving retired workers bereft of a decent income or any form of economic security. They are likely as well to go after the health benefits of both active and retired workers.

The airlines timed their bankruptcy filings to beat an October 17 deadline, when new, more restrictive bankruptcy laws go into effect that make it more difficult for companies to cancel their debts. Filing in advance of the deadline will also—by no means coincidentally—allow the companies to hand their top executives lucrative bonuses for staying on while the court process unfolds. The new laws place restrictions on bonuses paid to executives of companies operating under Chapter 11.

Delta, whose losses have totaled nearly $10 billion since 2001, said it plans to reduce its fleet size and Chief Executive Gerald Grinstein said the airline will demand more job cuts beyond the 24,000 the carrier has announced since 2001. "There is no painless way out of this and there will be reduction of personnel," Grinstein said.

Just last September, Grinstein announced plans to slash up to 7,000 jobs through 2006 and close the airline's hub in Dallas. Earlier this month, Delta said it would cut 26 percent of its flights from its hub in Cincinnati, resulting in another 1,000 job cuts.

A year ago Delta obtained the agreement of the pilots union to extract $1 billion in wage and benefit cuts. This week, the airline asked for another round of cuts from the union.

The company is due to make billions of dollars in pension payments over the next three years, but said Wednesday it did not plan to make its next funding contribution to its pension plan.

Northwest, which has recorded over $3 billion in losses since 2001, has under-funded its employee pension plans to the tune of billions of dollars. It has been lobbying Congress to change pension laws to allow it to repay its obligation over 25 years instead of five. The company stated in papers filed with the federal government Tuesday that it had failed to pay $42 million in bills and would not meet a $65 million contribution to its pension funds that fell due on Thursday.

The airline obtained a 15 percent pay cut and other concessions worth $265 million a year from the Air Line Pilots Association (ALPA) last December, and earlier this month demanded a new round of cuts estimated by the union to total $322 million annually.

The company put an ultimatum before its other unions for a total of $1.1 billion in annual labor concessions, including thousands of job cuts, and targeted the union representing mechanics and airplane cleaners, the Aircraft Mechanics Fraternal Association (AMFA), for a union-busting attack. Northwest forced AMFA to strike on August 20 by demanding a new contract eliminating the jobs of more than half of the union's 4,400 members, slashing wages by 25 percent, and raising workers' health costs.

The AMFA strike has become a symbol of the collapse of the unions in the US. All of the other unions at Northwest—ALPA, the International Association of Machinists (representing baggage handlers and other ground workers) and the Professional Flight Attendants Association—have scabbed on the strike, allowing Northwest to bring in strikebreakers without any opposition.

Capitalizing on the treachery of the union bureaucracy—and the lack of any viable perspective on the part of AMFA—Northwest has since upped its concessions demands. It is now demanding a total of $1.4 billion in combined give-backs from its unions.

Its revamped contract offer to AMFA includes the elimination of 75 percent of AMFA members' jobs and a pay cut of 28 percent. AMFA, for its part, agreed to these demands in negotiations last weekend, but balked at the company's demand to reduce its previous severance pay offer. The AMFA leadership is disarming its members by encouraging illusions that they will fare better under the auspices of a bankruptcy judge.

The bankruptcy filings, with their brutal implications for tens of thousands of workers, are themselves the culmination of a process of unrestrained profiteering and self-enrichment that was set in motion by the deregulation of the US airline industry in 1978. Nearly thirty years later, it is abundantly clear that what was billed as encouraging competition and unleashing the dynamic impetus of the "free market" was a means of plundering the assets of the airlines for the benefit of the financial elite.

Hundreds of thousands of jobs have been destroyed, wages and benefits have been repeatedly slashed, and now the pensions and health provisions of retired workers are being wiped out, while a small fraternity of corporate CEOs gorge themselves with multi-million-dollar salaries and bonuses.

Since deregulation was initiated—under the Democratic administration of Jimmy Carter—major airlines have disappeared entirely, such as Braniff, Pan American, Trans World Airlines and Eastern. The removal of government regulation has encouraged, not efficiency, but irrationality and chaos in the organization of routes and the setting of fares. Passengers, especially the vast majority who cannot afford the exorbitant price of first class tickets, are now handled little better than cattle, crammed into overcrowded cabins and, on most flights, denied a meal.

The airlines themselves have become milch cows for CEOs who enrich themselves at the expense of their own companies. Northwest Chairman Gary Wilson, for example, the largest single shareholder, has been dumping his own stock hand over fist. The *Wall Street Journal* reported June 13 that, according to Securities and Exchange Commission filings, Wilson cut his stake to 1.75 million shares from 4.34 million between March 31 and the first week in June.

Al Checchi, a former co-chairman who worked with Wilson to acquire Northwest in 1989, sold $26.4 million worth of Northwest stock between January and June, according to the Minneapolis *Star Tribune*.

These top executives and company insiders dumped their stock knowing that in so doing they were worsening the financial position of the company and making bankruptcy filing all the more likely. While they were protecting their own fortunes, they were demanding ever more draconian sacrifices from their employees.

The living standards of workers, the comfort and safety of passengers and the general public interest have all been subordinated to the naked drive for profit, and unscrupulous asset-strippers and speculators such as Frank Lorenzo and Cal Icahn have risen to the heights of corporate power.

With the latest bankruptcy filings, the final act in the drama is unfolding, as the airline industry undergoes a further consolidation, resulting in a few mega-airlines which will cut all unprofitable routes, close down hubs and ratchet up ticket prices to previously unheard of levels.

The bankruptcy of Northwest and Delta is one more expression of the failure of the profit system. The same fundamental tendencies of social dysfunction and decay that have found an appalling expression in the needless destruction of lives and communities from Hurricane Katrina take another socially destructive form in the chaos and collapse of the airline industry.

The requirements of modern air travel, which is today a mass phenomenon of enormous complexity extending to every part of the world, clash at every point with the narrow, selfish and socially destructive prerogatives of private ownership and a system based on profit-making and the accumulation of personal wealth. Commercial air travel demands public control and serious planning, geared to the needs of society as a whole, not the interests of a financial aristocracy.

The only rational and constructive solution to the crisis in the airline industry is to place it under public ownership as a public utility, subject to the democratic control of airline workers, representatives of the flying public and the working population as a whole. This is the only basis for insuring safe, efficient and affordable air travel, and securing the interests of airline workers.