TESTIMONY OF ROBERT KIGHT
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BEFORE THE

HOUSE EDUCATION AND LABOR SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR, AND PENSIONS
HEARING ON "THE PROPOSED DELTA/NORTHWEST AIRLINES MERGER: THE IMPACT ON WORKERS"

Mr. Chairman, Members of the Subcommittee, Delta welcomes this opportunity to appear before you today to discuss the impact on the employees and retirees of both companies resulting from the proposed Delta-Northwest merger. My name is Rob Kight and I am Delta's vice president of compensation and benefits. I have worked for Delta for 18 of the last 22 years and have held responsibility for our compensation and benefit programs for the last 4 years.

We know our employees and retirees may be worried about the changes ahead. As a result we have made deliberate decisions to ensure that this merger is in their best interests and anticipate their concerns. Our objective is to create a stronger, more enduring airline that will provide job security and opportunities for career growth, and enhance their benefits security. We firmly believe this combination will do just that.

As you know, our CEO Richard Anderson, and the Northwest CEO and President, Doug Steenland have already testified before four congressional committees since the proposed merger was announced on April 14. Their statements and testimony have addressed all aspects of the merger including providing extensive information on the impact on the employees and retirees of the two companies. For purposes of this hearing today, my testimony will primarily concentrate on the compensation and benefits that Delta will provide post-merger to the employees and retirees of Delta and Northwest since those areas fall within the scope of my responsibilities.

Delta has long enjoyed a uniquely cooperative relationship with its people. We believe that if we take care of our people, they will take care of our customers. Accordingly, the

merger's impact on our people was uppermost in our minds. Delta would not have done this deal if it did not benefit the people of both airlines, our customers, our communities and our shareholders.

Delta people actively opposed the attempt by US Airways to acquire us because they agreed with our view that it would be harmful to them. The US Airways proposed hostile takeover was predicated on gaining efficiencies through the elimination of overlapping services, shrinking hubs and reduced network flying. It would have resulted in the loss of jobs, reduced benefits and career opportunities. In contrast to the US Airways failed takeover, the management and employees of Delta firmly believe this merger is in our collective best interest.

The Delta-Northwest merger is the combination of two airlines with networks that are highly complementary, with virtually no overlap. This merger is about addition, not subtraction. Linking Delta's extensive network in the eastern, southern, and intra-mountain United States, Europe, and Latin America with Northwest's strong presence in the midwestern United States and Asia will provide opportunities for growth as we leverage the network strength of the two carriers.

This merger will provide numerous benefits for our people many of which otherwise could not be attained on a stand alone basis. We have committed to the following:

- The employees of the two companies will receive equity in the new company in the form of stock representing almost 10% of the value of the

enterprise. This level of employee ownership grant is unprecedented in the airline industry.

- Delta will maintain a top-tier profit sharing plan and operational rewards program. For 2007, these programs provided Delta employees roughly $200 million in additional compensation. While skyrocketing fuel prices will take a big bite out of that performance this year, we remain proud of these programs which help share our success with the employees who make it possible.
- Over time, we will move all employees to industry standard pay and benefits.
- No involuntary job furloughs of U.S.–based frontline employees as a result of the merger.
- Continued provision of competitive health care, time off, travel pass benefits.

Let me address more fully one additional commitment we have made – to fund the frozen defined benefit pension plans of both companies fully. Mr. Chairman, Delta recognizes and very much appreciates the important role that this Committee played in passing the Pension Protection Act in 2006. We remain extremely grateful to this Sub-Committee and Congress for providing provisions in that legislation that enabled us to preserve Delta's defined benefit pension plan for nearly 91,000 Delta ground and flight attendant employees and retirees. As you know, we made a pledge to our employees and to Congress that we would do everything possible to ensure that they would receive the retirement benefits they had earned. While one plan - that covering Delta's pilots - could

not be maintained even with the PPA due to its unique lump-sum payout feature, we fully intend to maintain both the Delta and Northwest plans following the merger.

In addition to the preservation of the frozen defined benefit plans post-merger, Delta will continue to provide retirement benefits through defined contribution plans together with our defined benefit plan funding. We feel confident that the merger will better equip the combined company to meet our commitment to fund these important retirement income benefits.

Importantly, the merger will produce a financially stronger airline that is better able to weather an extremely challenging economic and competitive environment, including the doubling of jet fuel during the past year. It is important to recognize that these external forces will continue to have a very direct and independent impact on our business and the financial health of the company. Both companies are working very hard to respond to soaring fuel costs and the need for this merger becomes more important in helping us to cope with this difficult challenge and improve the security of the important benefits we provide.

There has been justifiable criticism about the failure of airline mergers in the past to give adequate priority to the impact on their people. Delta believes that a merger cannot be successful unless its employees are fully supportive and engaged in making a stronger airline. We have worked hard to earn the support and active engagement of our employees. This means constant communication and involvement with all work groups on the front end so that we are better able to deliver at closing the benefits we believe will

flow to our employees and other stakeholders. Our theme "Fly Together" reflects a communication and planning process that is well underway in anticipation of approval of the merger later this year. I would like to cite several quick examples: The very first step we took after announcement of the merger was focused on our people. Within weeks we had implemented an enhanced travel exchange program opening up greater access to the combined route network for employees and retirees of both companies. We have also created a unique website linking both company internal sites and providing up-to-date information on all aspects of the merger.

Finally, one extraordinary example of employee engagement is the joint agreement Delta has already reached with the Delta and Northwest units of the Air Line Pilots Association (ALPA). This joint contract to take effect upon closing of the transaction later this year is unprecedented in airline history. Under this agreement, the pilots will enjoy enhanced equity, pay and benefits. Separately, the pilot groups have also established a process designed to create a single pilot seniority list by the close of the merger. This agreement and attainment of a joint seniority list is a terrific testament to the leadership of ALPA and the importance of working together in a collaborative fashion.

Mr. Chairman, thank you for this opportunity to appear before you today. As you can see, Delta and Northwest have put people first in pursuing this merger because we are committed to making Delta the best airline in the world for its employees and other stakeholders. I look forward to answering your questions.