

The New York Times

An Airline's Heirs Apparent



Jennifer S. Altman for The New York Times

Edward Bastian, left, and James Whitehurst run Delta Air Lines on a day-to-day basis. US Airways wants to buy the airline for \$8.5 billion.

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Published: December 19, 2006

ATLANTA — Poor pay, long hours and the contempt of many employees and customers — that pretty much sums up the job of running an airline these days.

The only thing worse, for the management masochists who seek these positions out, is living in daily fear that the job might be taken away.

That's the life of Edward H. Bastian and James M. Whitehurst, the two executives running [Delta Air Lines](#) on a day-to-day basis. They both want to be Delta's next chief executive, if the airline is not first gobbled up in a takeover.

As early as Tuesday, Delta will file its plan to operate after bankruptcy. Making Delta's argument to remain independent and fend off an \$8.5 billion bid from [US Airways](#), the plan will also make

the case by extension for Mr. Bastian and Mr. Whitehurst to keep their jobs — and for one of them, perhaps, to become chief executive.

Their resentment of the US Airways offer is more intense because of the sacrifices they and their 50,000 co-workers made to stay at Delta. The two gave up well-paying jobs to join Delta when it was already clear that the country's third-largest airline was in trouble.

Each is paid \$382,500 a year, a fraction of what they could earn elsewhere.

"The rewards of this job have clearly not been financial," Mr. Bastian, 49, who is chief financial officer, said.

He joined Delta in 1998 from [PepsiCo](#), was passed over twice for the airline's chief financial job, left in a mild huff last year and then was back less than two months later when the job he had wanted suddenly came open.

"Can you explain it to me?" Mr. Bastian's wife, Anna, asked in an interview. "After two days of saying, 'What are you doing?' I knew he needed to do this. It was a calling."

"He would love to be C.E.O.," Mrs. Bastian added. "He won't tell you that." She worries, though, that even if Delta rebuffs the US Airways offer, "Then there will be the threat of the next one."

What was the appeal for Mr. Whitehurst, 39, Delta's chief operating officer? "It's a mess, which is what makes it fascinating," he said. Mr. Whitehurst joined the airline in 2001 from Boston Consulting Group, where he had just been promoted to the equivalent of partner, a position that currently pays about \$1 million to \$1.5 million a year.

"Over time, he fell in love with the industry," said Mr. Whitehurst's wife, Lauren, who is also a Boston Consulting Group consultant. "It's an awful business. There are other jobs that would pay more."

Of the chief's job, Ms. Whitehurst said: "If it's not Jim — I've known him for 15 years — he lands on his feet. But it would be an emotional disappointment. It's a bit of an addiction."

And a costly addiction at that. Though \$382,500 is a nice living, Mr. Bastian and Mr. Whitehurst could be making 4 to 10 times that amount in another industry, where regular profits beget bonuses and not being in bankruptcy begets stock options and grants, said Peter Crist, chairman of Crist Associates, an executive recruiting firm in Hinsdale, Ill.

“It’s freakish” said Mr. Crist, who has recruited other airline executives away to better-paying jobs, but never easily. “They find this industry very compelling.”

To be sure, the Delta executives could make a bundle if the carrier remains independent and emerges from bankruptcy. At United Airlines, [Glenn Tilton](#), the chief executive, received a package valued at \$40 million or more after running the company through three years in bankruptcy.

Delta executives would get one year’s salary in severance in a sale of the company, Betsy Talton, a spokeswoman said. But Mr. Whitehurst and Gerald Grinstein, the 74-year-old chairman and chief executive of Delta, would not get severance (Mr. Bastian, who returned just before the bankruptcy filing, would get severance). Mr. Grinstein has said he hopes to retire soon and also wants to keep Delta independent. He declined to be interviewed.

Unsecured creditors, whose claims will convert into new Delta common stock, will vote in bankruptcy court and decide the airline’s future.

Longer term, airlines are an unlikely place for executives to become fabulously wealthy or to compile records as successful managers.

In good times, airlines have a habit of collectively ordering too many new jets, leading to a glut of seats, which in turns leads to fare sales and fewer profits or deeper losses.

Most airlines also have strained relations with their largely unionized workers, who are angered by pay cuts and an increased work load. Customers willing to spend hours online to find the cheapest seat then complain about service cutbacks.

And traditional airlines like Delta compete against a growing number of low-fare carriers whose business model was built on taking advantage of all these weaknesses.

Thus it takes a healthy ego to think that one can manage the day-to-day business and also manage for the long haul. Airlines are generally years behind well-run service and manufacturing industries in implementing modern productivity improvements.



John Amis/Associated Press

Delta's chief executive, Gerald Grinstein, has said he wants his successor to come from inside the airline.

Proof that Delta was flabby: from 2002 to the time it filed for bankruptcy in September 2005, it cut costs and found other savings totaling \$5 billion a year. In bankruptcy it expects to reap another \$3 billion a year through a second round of wage reductions and renegotiation of debt and other obligations, and increased revenue by redeploying many of its planes to more profitable routes.

Delta management — preparing to exit bankruptcy in the middle of 2007, with most of those savings in place — was caught off guard the morning of Nov. 15 by the US Airways offer.

Earlier, Mr. Grinstein, the Delta chairman, had rebuffed overtures from US Airways' chief executive, W. Douglas Parker.

Mr. Parker, in a recent interview, recalled that he tried calling Mr. Grinstein five minutes before the announcement of the bid, but could not reach him. "I understand he's upset" about being surprised, Mr. Parker said. "I told him I'm sorry."

US Airways promises \$1.65 billion of savings from the merger. "This is value that neither of our teams, no matter how well managed, could create independently," Mr. Parker said in a letter to Mr. Grinstein.

Delta executives have raised doubts about the promised savings and the merger's ability to gain antitrust approvals. They have also said the airline's exit from bankruptcy could be slowed by any negotiations. They also note that workers would be angered and that service would suffer in a merger. And, of course, other bidders could emerge.

Meanwhile, Mr. Whitehurst in particular, who is busy running operations while Mr. Bastian handles the bankruptcy, would prefer not to be interrupted. Asked about the US Airways proposal in an interview, he instead proceeded to discuss a recent decision to add an ice cream treat and free cocktail for passengers in coach service on flights from Europe to North America.

Passengers do not typically sleep on those daytime flights and flight attendants had asked for “more tools” to keep customers amused. The cost: \$10 million a year.

“We debated it and debated it,” he said. “You liquor up people a little, the seat feels better. We’re in bankruptcy. There’s not an immediate payback. Do I think it’ll pay back next summer? Yes.”

Delta has in recent years collected less in revenue per passenger than other big airlines — about 86 percent of the industry average as of late last year. More recently, because it is flying more international routes and using smaller planes domestically, it has been above 90 percent and hopes to reach the industry average next year. “There’s just a ton of momentum,” Mr. Whitehurst said.

Mr. Bastian is anxious for Delta’s board to formally reject the US Airways offer so he can vigorously criticize it publicly.

“I look forward to the lawyers taking off the handcuffs,” he said. Delta and US Airways compete in many markets and Mr. Bastian suspects a slimmed-down Delta worries Mr. Parker. “He looks around and everywhere he sees Delta — bigger, stronger.”

Suppose Delta remains independent and, as Mr. Grinstein has said he would like to do, looks inside Delta’s headquarters in Atlanta for the next chief. Could Mr. Bastian and Mr. Whitehurst work for each other?

“Whether it be Jim, me, or someone else, I’d be fine with that,” Mr. Bastian said. “I came back here to be C.F.O. I’m flattered my name has been thrown into the ring.”

Mr. Whitehurst said, “I’d very much like to be C.E.O.” Asked later if he would work for Mr. Bastian, Mr. Whitehurst would not answer.

But an old friend from Boston Consulting, Hal Sirkin, doubts Mr. Whitehurst, a native Georgian, would leave Delta now.

“Jim feels like he’s come home,” Mr. Sirkin said. “I think he’d have a bias toward staying. Some boys just grew up fascinated by planes.”