

To: Council 20 Pilots
From: CA Tom Tucker, Council 20 Chairman
Subject: Chairman's Letter
Date: May 25, 2012

I wish that I could report to you that the MEC has reached a tentative agreement with the Company that met or exceeded the direction of our members as determined through the Contact Survey, but I cannot.

I wish that I could report to you that I found the tentative agreement had extracted value, monetary and intrinsic, proportional to the opportunity and financial growth made available to the Company through this tentative agreement, but I cannot.

I wish I could have voted in the affirmative to approve this tentative agreement, but I could not.

I request that you evaluate the tentative agreement as a total package, review the information provided by the MEC, attend a road show, speak to your fellow pilots/DPN (Delta Pilot Network) volunteers at (800) USA-ALPA/Council 20 representatives, and then make an informed decision based upon your priorities and the best interests of our profession.

Please remember that I represent the interests of DTW captains, all Council 20 pilots, and all Delta pilots in that order of priority. Without question, Scott Smetana will represent our first officers in an exemplary manner. I appreciate Scott and Drew's guidance, advice, and support during the last few months.

As I promised you, I will provide you the basis for my decision. It is my goal and that of the MEC to provide you the same information that the MEC considered to formulate our decision. Any company confidential information I possess did not figure in my decision. I have written to you numerous times that there are "opportunities" for a company that has a stable work force with known costs, proven revenue stream, and an innovative management team. The following review notes significant changes to specific sections of the PWA (Facts), a review of each based upon the priorities set by the MEC in response to your input (Discussion), my view on each (Opinion), and a rating of each section on a 1-5 scale with 1-unacceptable, 3-acceptable, and 5-a big win for DAL pilots (Grade). Do your best to make an informed and unemotional decision. Please exercise your right to vote on this TA.

Scope

Facts

DCI aircraft	Current	Tentative Agreement
50 seat RJ	343 unlimited and not covered	125

	in PWA Section I	
70 seat RJ	102	102
76 seat RJ	153	223
70 + 76 seat RJs	255	325
All RJs	255 70/76 + unlimited 50 seat Current-608 total RJs	450 maximum
70 seat increased to 76 seat	Above 767 mainline aircraft at a 3 to 1 rate. Current-723 mainline aircraft	No increase allowed above 450 maximum RJs

- Hard cap on DCI aircraft
- Other than a few remaining turbo prop aircraft and nine 44-seat RJ, the TA reduces available DCI seats by 15.6%
- Ratio of block hour flying between domestic mainline aircraft and DCI flying
- If new SNB (small narrow body) aircraft are brought on line there will be a ratio for parking 50 seat aircraft and increasing 76 seat aircraft
- Furlough protections-all Delta pilots will be covered on date of signing, 90 day prior notification, and ALV reduction during furlough periods
- Joint venture protections
- Holding company protection
- Foreign ownership protection
- Proposed increase in captain positions with purchase of SNB aircraft

Discussion

This contract negotiation began with a supposal from Richard Anderson at our January 2012 MEC meeting. The result of that supposal is found in the Section I changes to DCI flying. The TA has an overall reduction in DCI aircraft and a 15.6% reduction in seats. The TA would provide a minimum block hour ratio between mainline and DCI. There is also a maximum limit to DCI aircraft. There would be improvements in Joint Venture protection, Holding companies, and foreign ownership. There would be a seventy plane increase in 76 seat aircraft and proposed new captain positions on SNB purchased aircraft.

Opinion

It is difficult to quantify scope. How do you put a dollar amount on enhanced furlough protection or an increase in SNB flying? Thus, for most scope changes there is an intrinsic value associated with scope. As many DTW pilots have commented, “the 50 seat aircraft are going away anyway don’t give up something in scope for these planes”. This statement is partially true in that a large

portion of these aircraft could be parked by Delta because of fuel costs and upcoming engine overhaul costs. On the other hand, many of these capacity purchase agreements, (contract for service agreements) with DCI carriers are in effect for years to come. This TA allows Delta to remove 50 seat aircraft from service at a faster rate than they could under the current PWA. This is a significant savings for Delta through increased revenue on the 76 seat aircraft vice the smaller 50 seat aircraft and even greater savings in removing older 50 seat aircraft from the fleet before major and extremely expensive engine overhauls are required. We were presented ALPA and Company projections on these savings. I contend that a percentage of these one-time costs should be considered and amortized over a period of time as a credit to Delta pilots. Even if a small percentage of this maintenance savings was categorized as a credit to pilots in this TA the result could be applied to a significant addition to the proposed pay raise for Delta pilots. Though these maintenance costs are “one time savings” the value of 76 seat aircraft to the Company will remain well past the amendable date of this contract.

The increase in 76 seat aircraft is a concern. I do understand that many pilots hold to the mantra, “not one more RJ”. Eliminating the 3 to 1 ratio for trading 76 seat aircraft for 70 seat aircraft when above 767 mainline aircraft is cited as a positive in this tentative agreement. This is a moot point in my opinion since Delta would have to add forty five mainline aircraft before this option would come into effect. 76 seat aircraft are not just twenty six more seats than a 50 seat aircraft. These aircraft have two class service and can fly three to four hour stage lengths with reserve fuel. Seventy more 76 seat aircraft is the equivalent to a new DCI carrier or the size of two Compass airlines.

My concerns over the non-credited financial portions of this section of the TA can be better judged when reviewing compensation. The TA does hold the line on increasing the number of seats in a DCI aircraft to seventy six. The large reduction in 50 seat aircraft, maximum number of DCI aircraft, proposed increase in captain positions on new SNB aircraft though minus the parking of DC9 aircraft and the associated captain positions, and the block hour production balance are compelling. These scope changes reverse the growth of DCI carriers and set a new standard for mainline and DCI carrier ratios. The proposed increase in 76 seat aircraft is the number one concern of the pilots that sit to my right. The turning point in my decision was the number of captain positions available with the purchase of SNB aircraft. Yes, DC9 aircraft will be retired, but the Company cannot park as many 50 seat aircraft as planned without increasing capacity at the mainline. The increased 76 seat aircraft cannot fill that capacity requirement. If the company chooses not to park as many 50 seat aircraft as planned then they will be saddled with the engine overhaul costs.

Grade
3-

Compensation

Facts

- Pay rates: July 1, 2012-4%
 - January 1, 2013-8.5%
 - January 1, 2014-3%
 - January 1, 2015-3%
- “Industry leading contract by December 31, 2015”. Does not include comparable FEDEX and UPS aircraft and positions other than 747/777 captain. Comparing pay rates three years in the future to current pay rates at other airlines is not a valid comparison since those pilot groups will be undergoing negotiations. If a comparison to other pilot contracts is considered a deciding factor, a current comparison is more appropriate.
- 3.5 year contract to December 31, 2015
- Increase in reserve guarantee
- 1% Defined Contribution increase on January 1, 2014 to 15%
- Average Daily Guarantee of 4:30 per day
- Reduction in lower tier (<\$2.5B) profit sharing from 15% to 10% (33%) beginning in 2014 (based upon 2013 results of approximately 2.5% of pay)
- CQ training pay from 3:15 to 3:45 per day
- Distributed training pay from 1 minute pay for every 3 minutes of run time to 1 for 2
- Vacation pay from 3:00 per day to 3:15
- International pay for captain \$6.50 and first officer \$4.50. A \$0.50 increase.
- Per diem increase of \$0.10 on January 1, 2013 and an additional \$0.10 on January 1, 2014.
- No credit for the early retirement of 50 seat aircraft, e.g. increased revenue on 76 aircraft and upcoming maintenance costs (see Scope discussion)

Discussion

The resulting pay raise is less than the direction given by the MEC, but not much lower than the direction of Council 20 pilots. Yes, Council 20 pilots asked for less than other bases. The profit sharing reduction was significant. Pay rates will approximate 2004 former NWA pay by January 1, 2015, but are far from former DAL rates. The cumulative pay increases are January 1, 2013-12.8%, January 1, 2014-16.2%, and January 1, 2015-19.7%. The increase in reserve pay is significant.

Opinion

This expedited negotiation began with a supposal from Richard Anderson in January 2012. As I have written before, a signed contract with DAL pilots allows the Company to consider many opportunities; some are time sensitive. These opportunities which the Company would like to consider and the upcoming maintenance costs on the 50 seat aircraft are leverage. I never did receive a response to why we did not push this issue other than it is hard to quantify scope. This opportunity may have begun with a change to scope, but even Delta Air Lines has determined that there is a significant cost savings to retiring the 50 seat aircraft early and we were in possession of that data.

The expedited negotiations did result in early pay increases and the “time value of money” does apply. “Industry leading pay” is at the end of the contract, does not include future pay increases at other airlines in (or scheduled to be in) contract negotiations, and only includes the FEDEX FEDEX and UPS pay rate on a 747/777 captain. Please review the Contract Comparison provided to you by the MEC for pay rates at all carriers. The increased reserve pay guarantee, average daily guarantee, international pay increase, per diem increases, and early out program are positives. The pilot contract survey rated pay as the number one priority. The difference between the pilot’s number one and number two priorities was not a few percentage points, but greater than fifty percent. I have received two year-end profit sharing checks in my time as an airline pilot. Just as we are poised to receive exceptional profit sharing checks, the tentative agreement transfers thirty three percent of profit sharing to a two percent yearly increase in pay. As an A320 captain, the January 1, 2013 pay rate is \$22.45 higher than my current pay rate or an additional \$1,796 in an eighty hour month. For many pilots, it will be hard to pass on a 12.8% cumulative pay raise by January 1, 2013 in lieu of the possibility of further expedited negotiations to improve the current deal or traditional Section VI negotiations.

Though, if you believe that valuable business opportunities are on the horizon (some opportunities are time critical) for this Company if an agreement is signed, then there is a good prospect that further expedited negotiations could occur. In my opinion, this compensation package concedes that all future industry pay rates will be based on bankruptcy contracts and future marginal pay increases. This is not just a pay rate for Delta pilots, but a standard for our profession and industry. Any current lease or purchases of new aircraft, other equipment, food products, fuel, etc for Delta will be at the retail rate not at the post bankruptcy imposed cost as will now be set for pilot compensation. Why should our wages be determined from a bankruptcy baseline? In comparison FEDEX and UPS wages are higher. What is the reward for a smooth merger and expedited negotiations?_

Delta Executive Vice President Mike Campbell stated, “our pilots and ALPA continue to benefit from a very constructive, proactive relationship, one that is unprecedented in our industry... This tentative agreement represents an investment in our pilots and our company as it gives Delta significant fleet flexibility, the ability to continue running a reliable operation for our customers, and a profitable enterprise for shareholders and for all Delta people. The fleet changes provided

by this agreement, coupled with the productivity and profit sharing changes, cover the investments in our employees.”

This is a cost neutral contract for the company and a lost opportunity for Delta pilots. I do not believe we took full value of this opportunity in regards to pay. My opinion was in the minority.

Grade

2

Work Rules

Facts

- Increase ALV from 72-82 to 72-84
- Increase TLV from 74-79 to 75-80
- ALV/TLV changes will decrease staffing requirements
- ALV/TLV change is a trade for improvement in reserve pay guarantee
- 30 day bid months during summer months to lessen staffing sine wave. Received significant monetary credit for this change.
- Average Daily Guarantee of 4:30 per day
- Increased number of short calls with higher reserve guarantee
- Ended trip parking. A traded rotation must pass through PCS before returning to original pilot
- Increased per diem and laundry expenses
- Positive space dead head on DCI carriers
- Pre-posting of known vacancies which increases staffing requirements

Discussion

The pilot survey did not say that pilots wanted to work more days. Pilots want more pay. Pilot overstaffing during shoulder flying months was a major issue for Richard Anderson. He has commented on this concern more than once to the MEC. The TA increase in ALV/TLV is projected to increase flying by thirty to sixty minutes per month per pilot and reduce staffing requirements.

Opinion

The MEC was provided numerous staffing projections over the past few months. These projections were based upon assumptions as there were many difficult to define variables. The

staffing numbers changed with each projection and in my view were unreliable and optimistic. We do not know how many pilots will retire early, but we can determine the number of excess pilots based upon ALV/TLV increases. We can determine the number of pilots required to staff a SNB purchase order, but not whether the Company will fill all vacancies created through the early retirement program. I understand the value of hiring pilots to the bottom of the seniority list, but I represent pilots that are currently on the DAL seniority list. I do expect some new captain and first officer positions on the SNB aircraft though many of these will come from mandatory displaced DC9 pilots. These staffing changes resulted in significant monetary credits which funded pay raises, e.g. 3% increase in pay for ALV/TLV change and the change to thirty day summer flying months for increased reserve pay. This is a reduction in work rules for pay; pure and simple.

Grade
2

Miscellaneous areas of the TA

Facts

- Sick leave at 100% pay
- Cancellation of sick leave monitoring program
- Increased sick leave credit for pilots with twenty or more years of service
- Improved hotel, laundry, and relocation benefits
- Reduced pilot portion of cost on former NWA medical plan N (“Option N”)/ contract medical plan from 27% of cost to 22%
- Improved long term disability

Discussion
None

Opinion

Positive change to sick leave and disability as requested by pilots through the Contract Survey.

Grade
5

Pilot Retiree Medical Account (RMA) Program

Facts

- All pilots available to participate if over fifty years of age, more than eighteen years of service, and a combined age and years of service total above seventy three

- No expressed limit on number of pilot participants. The ability to train pilot replacements will determine the number of participants
- +5,000 pilots are able to participate in this program
- Severance pay
- \$30,000-\$120,000 in eligible healthcare expense reimbursement for future use following retirement
- This program is a LOA that will only occur with the approval of the TA

Discussion

There are no perceived downsides to this program. There is no guarantee that all vacated positions will be fully backfilled since the airline is currently overstaffed. This program is targeted to wide body former NWA pilots.

Opinion

Well done by Negotiating Committee

Grade

5

Comments

For many of my peers the determining factor was the level of risk; a “bird in the hand is worth two in the bush” applies. The members of the Delta MEC:

- Know what is contained in a tentative agreement
- Did/do not know what will occur if the TA was/is rejected by either the MEC or line pilots
- Know that Richard Anderson came to the MEC with the offer for expedited negotiations. The MEC chose in short order to investigate the supposal and then begin expedited negotiations. In my opinion a sense of emergency did not exist and self-imposed (potentially “false”) deadlines followed.
- Know that Delta management is considering many opportunities. Some of these have come to fruition, e.g. purchase of a refinery, bankruptcy at Pinnacle which will alter aircraft mix and pilot salaries at that airline and begin another round of whip sawing at the DCI carriers, and purchase of SNB aircraft for Delta mainline fleet. These three examples were Delta confidential information that until recently I could not discuss. After I began writing this Chairman’s letter the SNB purchase was publically announced as 717s. I decided to not go back and rewrite those sections. Delta Air Lines has already passed GO for the first time and is now contemplating buying up properties and utilities

while the rest of the Monopoly players are stuck in jail. Note: that was an analogy not a reference to future action by Delta Air Lines.

- Know that Richard Anderson recently discussed \$2-2.5B profits in 2013
- Do not know the Company's maximum time frame for TA approval
- Do not know the time frame for possible decisions on opportunities being considered by the Company
- Do know that during the JCBA process deadlines were missed/ignored and negotiations continued
- Know that Richard Anderson not only has a plan B, but probably a C and D plan
- Know that the member ratification time frame was reduced to allow for a pay raise on July 1, 2012 if the TA is approved and more time to negotiate if the TA is rejected. The original sixty day time period in MEC policy for member ratification was established at a time before internet and email became a significant and prevalent communication medium.
- Know that double digit pay increase by the amendable date occurred by reducing profit sharing
- Know that the MEC was not informed of the proposed pay rates until the TA was presented to the MEC and it had been announced that a TA had been reached. This action made it more difficult for the MEC to re-direct the Negotiating Committee and MEC Leadership to re-engage the Company to press for necessary improvements before a vote of the MEC occurred. I strongly believe that a continuation of private negotiations between ALPA and the Company had a much better chance of improving results. Leverage was lost.

As we commented in the Council 20 May 20, 2012 Update, "We have deep respect for the process of membership ratification. Our vote was based on the quality of the TA not on your right to vote on the agreement." I voted no because:

- The TA did not satisfy the guidance and parameters as communicated by line pilots and the MEC
- Known money was left on the table. This one time savings is based on a change to the PWA allowing for increased 76 seat aircraft and parking of additional 50 seat aircraft and the associated maintenance costs
- The MEC could have modified the direction, but that did not occur

The Delta MEC voted 14-5 in favor of this tentative agreement. I respect the will of the body. The more time I spend as a line pilot, the greater my respect for the ALPA Constitution and By Laws, the freedom of speech guaranteed for union members by Federal regulation (Landrum Griffith), and the democratic process in which each union member may participate. The only correct vote in this upcoming ballot is the one that you cast.

Fraternally,

Tom