

FROM THE CHAIRMAN

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June 22, 2012

Dear Council 20 pilots,

On Friday morning, you received a *Chairman's Update* from Council 20 Chairman Captain Tom Tucker. Captain Tucker discussed a number of issues in his update. Unfortunately, his update contained a number of inaccurate statements and omissions of fact that I now feel compelled to address. I would have preferred to address them with Captain Tucker in a more private manner, but since his update was widely distributed, it is necessary to give my response the same distribution, if only in the name of fair play.

I will not address Captain Tucker's update in a tit for tat exchange, but I will address several points that cannot go unchallenged, most notable of which is his misplaced concern over the process.

Captain Tucker is correct that the MEC learned of the pay rates on the first day of the May MEC meeting. This is because, as is typical in any negotiations, pay was one of the very last items negotiated. Those negotiations concluded late Monday evening, May 14, and a Tentative Agreement was reached. The MEC was notified that evening of the agreement, and the MEC convened the next morning for the first day of the May regular meeting, hours after the TA was reached.

Captain Tucker continues to make erroneous claims as to the value associated with the agreement, claiming that we somehow paid for pay rates with work rules. Specifically, he writes, "This is a reduction in work rules for pay; pure and simple." His claims are purely and simply false. Costing was covered in-depth by the Negotiating Committee and ALPA's Economic & Financial Analysis Department professionals. Captain Tucker apparently either forgot or chose to ignore these explanations in favor of his own pseudo-analysis, which has no basis in fact. The total productivity savings from *all* sources in this TA came to about \$64M. He is correct that by 2015 alone the pay increase *by itself* is about \$400M. He also ignores that we increased vacation pay, CQ training pay, per diem, distributed training pay, international overrides, reserve guarantee, negotiated an average Daily Guarantee and on and on. The cost neutrality fictional argument has been repeatedly addressed in the FAQs. The reality is that the increased value over the life of the contract will be on the order of approximately one billion dollars. Hardly "cost neutral."

Captain Tucker claims that "There is even greater savings in removing older 50-seat aircraft from the fleet before major and extremely expensive engine overhauls are required. We

were presented projections on these savings.” He is correct. What he fails to also mention is that the total savings, as shown to him at the MEC meeting, was approximately \$200 million total for the years 2013-2016. More importantly, we captured that *entire* savings to our contract. He also completely discounts the acquisition costs of both the 76-seat aircraft and the B-717s.

Captain Tucker suggests that we traded negotiating capital for airplanes. Nonsense. What we did was change our scope language to achieve vastly superior scope language, which will result in a massive shift of flying to the Delta mainline. That translates *directly* to Delta pilot jobs.

Captain Tucker claims “The CRJ-900 (76-aircraft) production line is ending. As of March 12, 2012 there are only eleven unfilled orders for CRJ-900 aircraft,” and that this somehow provides urgency to the deal for the Company and leverage we can use—except it’s not true. As of March 2012, the production backlog for the CRJ-700/900/1000 was 52 aircraft. Those airplanes come off the same production line. In the first quarter of the year, the line produced at the rate of two aircraft per month. This extends the production line for more than two years beyond the March 2012 date before production ceases. The urgency/leverage argument is fictional. (Source: http://www.bombardier.com/files/en/supporting_docs/BA-CRJ_Series_Program_Status.pdf)

I could go on and on responding to each of Captain Tucker’s errors and omissions, but I’ll spend the remainder of this letter discussing Captain Tucker’s concern over the “process.”

From the outset, I would like to be clear that there was no subversion of the process nor was the MEC pushed into a corner during this negotiation. We have a policy manual, the procedures for negotiations are laid out in that manual, and those procedures were followed—to the letter (See attachment). Any assertion that there was a flawed process is simply the result of an Captain Tucker either not understanding the policy manual he helped create or a deliberate attempt to sway the membership ratification process by creating a controversy out of thin air. It is one thing to advocate your position; it is another to conduct a character assassination when you are unable to get your way in a democratic vote.

I have been both a sitting MEC member during negotiations and the past chairman of the Negotiating Committee for several large-scale negotiations on the scale of a Section 6. We have a time tested process to conduct negotiations and for the MEC to review those negotiations. I believe in that process, and I am committed to protecting the integrity of that process. The bottom line is that by almost a three to one margin, the MEC approved this agreement.

The MEC elects a Negotiating Committee. They take the MEC’s direction and then work to achieve their goals to the maximum extent possible. The pilots understandably set high goals for this negotiation, and the MEC’s direction reflected those goals. Not achieving those goals is *not* a failure to follow either direction or process as Captain Tucker claims; it is simply a reflection that in this current environment, in conducting a consensual

negotiation around a defined business plan, the Negotiating Committee was unable to achieve *all* of the goals established for them.

If the MEC expected to meet with the Negotiating Committee every time direction could not be reached to the letter, then the MEC would have to stay in session continuously for months on end. The Negotiating Committee would not consist of four members; instead it would consist of 32 with each MEC member micro-managing the process. Instead of having a Negotiating Committee and their expanded team making daily decisions, the MEC would have to debate through every negotiating session and redirect on every single issue. This has never been our process and from a practical standpoint, it never will be. It is an unworkable ideal that would cause even the simplest of negotiations to come to a grinding halt. The entire purpose of having a Negotiating Committee is to allow the MEC to provide negotiating direction and then permit the committee to tactically execute on that direction using their best judgment to achieve the best results available for our pilots. The committee is not there to just shuffle paper over to the company and back while the MEC directs every detail of their work.

The end state of the negotiations occurred in a normal fashion. We reached agreement on many of the items in the TA by the April 18 Special MEC Meeting. The progress was briefed in detail to the MEC. There was a discussion concerning a couple of items that the MEC wanted to place increased emphasis on, and the committee was ultimately able to improve our contract in both of those areas. Almost all items except scope and pay were wrapped up by May 7. On May 11, we reached agreement on all but a few of those remaining items, but still not pay rates or scope. At this point, it was clear that the committee would not be able to achieve the MEC's goals for pay. An MEC conference call took place on Saturday, May 12. This call lasted almost two hours and the current status of negotiations was *thoroughly* briefed to the MEC. All MEC members had the opportunity to be heard. On Monday, May 14, Negotiating Committee Chairman Parri Olmstead and I, in full accordance with the Delta MEC Policy Manual, met with senior management in an attempt to see if we could conclude a comprehensive agreement.

There were extensive discussions on that day, and eventually our discussion centered on an item that was valued at just 1/5 of 1% of our total contract value. At this point, both Parri and I agreed that we had used every bit of leverage that this deal afforded us, extracted every ounce of value possible, and that we should bring our results back to the entire Negotiating Committee for their consideration. The committee met for over an hour with only the four committee members present along with their attorney/professional negotiator, who was invited by the committee to join the discussion. After this deliberation, the committee, who had spent the last two months at the table with over 100 face-to-face meetings with Delta management, came to the *unanimous* conclusion that they had achieved all that they could get in this negotiation and voted *unanimously* to term it a Tentative Agreement and present it to the Delta MEC.

The MEC Meeting began the very next day, on May 15. The MEC was provided hours upon hours of briefings on every detail of the agreement including a comprehensive discussion of the costing. After these briefings, it is incomprehensible that *any* MEC member who was paying attention during that long week could characterize this agreement as cost neutral for Delta pilots. There were several days during the meeting where the MEC did not conduct any regular business and instead spent hours in executive session discussing every detail of the agreement. In the end, the discussion centered on whether or not there was a *credible* plan under the current circumstances for the MEC to achieve a *better* agreement in *any* reasonably near future. In that discussion, not a single MEC member, including Captain Tucker, presented any credible plan to achieve a better deal.

The MEC finally approved the agreement for membership ratification on Monday May 21 by a vote of 14-5. If the MEC decided that further direction and further negotiations were warranted, then they had every opportunity to reject the Tentative Agreement and send the Negotiating Committee back to the table. A large majority of the MEC agreed that the committee had reached the limit of the leverage they had available and sent it to you for a vote. That is our process. It was not subverted; it was followed to the letter. If *any* MEC member disagrees with the conclusion of the majority, he is free to communicate his reasons to his pilots. It is disingenuous, however, to imply that there was foul play in the process simply because one's vote was in the minority.

It is my view that the false claim that the process was not followed is simply a desperate attempt by an individual to achieve, in membership ratification, what he was unable to achieve in a fair and democratic vote. The MEC could have rejected this TA. The MEC could have sent the Negotiating Committee back to the table. The MEC could have recalled the officers and the Negotiating Committee and started the process with a clean slate. Instead, by a large majority, they chose none of those actions. It's OK for MEC members to disagree. That's part of our process too. But it is an entirely different matter when an individual launches a quixotic crusade to turn windmills into monsters with no reason other than being upset that he did not prevail. I hope that you will read the accompanying analysis of the exact language of the policy manual, how it was followed and draw your own conclusions. The Delta pilots deserve to vote on the TA based on the facts and not misinformation and wild speculation.

Respectfully,

A handwritten signature in cursive script that reads "Tim O'Malley". The signature is written in dark ink and is positioned below the word "Respectfully,".

Tim O'Malley
Chairman
Delta Master Executive Council
Air Line Pilots Association, Int'l

Delta MEC Policy Manual Extract

f. A committee elected to conduct Section 6 negotiations will:

1) As directed by the MEC, use available communication tools to solicit pilot group input in preparation for Section 6 negotiations.

The Negotiating Committee prepared a comprehensive Contract History, Contract Comparison, and Contract Survey prior to the Section 6 opening date. All MEC members agreed that we had a valid and representative turnout for the survey and that the responses were indicative of pilot input they had received.

2) Prepare the Section 6 Opening Letter based upon direction received from the MEC.

There was a unanimous vote to open Section 6 negotiations on March 9, 2012.

3) Report regularly on the progress of negotiations to the MEC and the pilot group.

The MEC received weekly updates on the progress of negotiations via ASPEN, ALPA's voice messaging system. The committee members regularly took calls from members of the MEC that needed additional clarification. The MEC met in session on April 18th, 2012 to receive a comprehensive update. *Negotiator's Notepad 12-02* was sent to all pilots on May 6, 2012.

4) Draft contract language upon reaching an agreement on any modification of the contract.

For the first time in Delta's history, full contract language, in track change format, was available to the MEC on the *first day* of the MEC meeting. The entire document was printed with one copy handed to each MEC member.

5) Ensure that final contract language is complete and available prior to presentation for MEC approval and membership ratification.

See above.

6) Prepare contract briefings for the membership following MEC approval of the agreement.

There have been 11 *Negotiators' Notepads* published along with Road Show handouts, a mailing to each pilot's home, *Chairman's Letters*, and *Touch and Go's*. We have sent roughly 750,000 pages of documents to the pilot group.

7) Provide Tentative Agreement (TA) information for publication and distribution to pilots.

See above.

Negotiating Committee responsibilities

1) The Negotiating Committee will be responsible for negotiations with Delta management on all amendments to the Delta PWA.

a) No TA will be reached without the knowledge of the entire committee and consent of the majority of the committee.

b) Negotiations will not be conducted without the prior knowledge of the MEC chairman and the entire Negotiating Committee or without the consent of a majority of the committee.

c) No negotiations will occur unless at least two of the following are present: a member of the Negotiating Committee; an MEC officer; or with the consent of the MEC chairman, an MEC committee chairman or his designee (acting within the purview of his respective committee).

Each of these conditions was complied with. The Negotiating Committee and their designated team conducted all negotiations; the MEC and the Administration were part of the team and thus the MEC Chairman was updated daily. As is usual, the final negotiating sessions were conducted by the Negotiating Committee Chairman and the MEC Chairman who met with the highest levels of Delta senior management. When they reached a deal, the entire committee deliberated in private until they reached a unanimous agreement to call this deal a Tentative Agreement and send it to the MEC for their consideration.

2) No TA will be submitted to the membership for ratification or to the president of the Association for signature unless the TA has been approved/ratified by the MEC.

On May 21, 2012 the MEC approved the TA by a vote of 14-5.

3) The MEC may provide direction to the committee as needed.

The MEC gave initial direction to the Negotiating Committee from March 6-9 at a regular MEC Meeting. Additional direction was given during the Special MEC meeting on April 18, 2012. That direction along with the comprehensive pilot survey gave the committee the information they needed to pursue the priorities of the pilot group as directed by the MEC.

4) During negotiations, the committee, including the MEC chairman as an *ex officio* member, will keep in mind that the Negotiating Committee is a committee of, and directly responsible to, the MEC. It will be the obligation of the Negotiating Committee chairman to keep the MEC fully informed as to the progress of negotiations. Negotiating reports and reviews with the MEC will be made during negotiations as follows:

At each MEC meeting held while negotiations are in progress.

The MEC was given a full report at the Special MEC meeting on April 18, 2012 which was only six weeks after the initial direction. Additionally, prior to the Tentative Agreement, there was an MEC conference call on May 12, 2012, during which, a comprehensive review of the status of negotiations was provided to the MEC.

When a need for new direction, additional direction, or clarification from the MEC is required.

The Negotiating Committee began extensive preparation for Section 6 over 18 months ago. That preparation included numerous industry updates, financial analyses, Contract History, Contract Comparison, and the Contract Survey. They compiled hundreds of thousands of responses from the pilot group. The committee met with the MEC for five days in November 2011 to review the Contract Survey results. Additionally they met with the MEC on:

- January 25 - 26 in Washington D.C.
- February 16 - 17 in Atlanta
- March 6 - 9 in Atlanta
- April 18 in Atlanta

After this preparation, meeting five times in six months, the committee and the MEC spent countless hours reviewing the survey, parsing the results, establishing goals, and giving direction on contract priorities.

When unresolved conflicts occur within the committee.

There were no unresolved conflicts. The committee worked as a team and resolved any differences through consensus rather than conflict.

Upon any deadlock in negotiations.

The committee never faced a deadlock in negotiations.

When a TA or Memorandum of Understanding (MOU) is reached with the company on any section of the contract.

The MEC was briefed in session over seven days from May 15 to May 21, 2012 before they voted to approve the Tentative Agreement.