



COUNCIL 44 COMMUNIQUE DELTA AIR LINES

June 19, 2015

The Tentative Agreement

On June 10th your MEC approved submitting the tentative agreement (TA) for membership ratification, which, if ratified by the Delta pilots, will become your next Pilot Working Agreement. This TA represents the culmination of over a year of work by the MEC, MEC administration and the Negotiating Committee. Over the next few weeks you will have a decision to make, not unlike the one your reps made last week. Your decision, whether to ratify or reject this agreement will have a lasting impact on your career as a Delta pilot. Online voting opens June 24th and closes on July 10th. We encourage all Delta pilots to get the facts and cast an informed vote on this TA.

Work on this TA began over a year ago when the Delta MEC elected its current Negotiating Committee. Since then, you have received numerous *Negotiator's Notepads* explaining the negotiating process, the Railway Labor Act, the NMB process, a Contract History and a Contract Comparison. You answered a comprehensive 117-question contract survey, passed local council resolutions and gave us your direct input over the phone, via email, directly in the pilot lounge, and in the cockpit. Your MEC then took your input and used it as our primary guide for establishing contract goals and priorities. The direction to the negotiating committee was based on this input.

The MEC, Master Chairman and Negotiating Committee took great pains to ensure that the process defined in ALPA governance was faithfully followed throughout these negotiations. While we did not meet every goal and expectation, our effort was always directed at achieving as much of those goals as possible. No one should believe that this was just the first offer by the company; this agreement is the result of intense negotiations that extracted every bit of value that the company was willing to put into it. Ultimately, the Negotiating Committee was able to come to an agreement with Delta Air Lines that would add significant value (between \$1.1 - \$1.4 billion) to your contract, should you choose to ratify this agreement.

Our intention here is not to go into great detail on the elements of this agreement; you will have *Negotiator's Notepads*, FAQs, and roadshows to attend, and we will be easy to find in the lounge. Instead, we will offer you a general overview of this agreement with regards to the four cornerstones of our contract; pay, scope, work rules, and

benefits, as well as some miscellaneous improvements. Finally, we will give you our conclusions on this TA.

Overview

PAY: This agreement includes pay rate improvements that compound to 21.5% over the duration of the contract. This includes 8% on signing, effective on July 1st, and subsequent pay rate increases of 6%, 3% and 3% each January 1st. A portion of our profit sharing plan was converted to pay and is part of the pay rate increase. This conversion becomes effective on January 1st 2016. 2015 profit sharing is not affected. At that time our profit sharing trigger of 20% will move from \$2.5 billion to \$6 billion. Above the \$6B threshold, we retain the 20% profit sharing payout. The *maximum potential offset*, if Delta were to achieve a pre-tax income of \$6B or more in 2016, would be a reduction in your profit sharing payout of 5.74%. There are no circumstances where the amount of profit sharing monetized would have paid you *more* than 5.74% of your wages, but if the company fails to reach the \$6B trigger, you are money ahead.

PTIX and Profit Sharing over the last few years: A historical Perspective:

	2010	2011	2012	2013	2014
PTIX	1,941	1,522	2,140	3,402	5,853
% of Pay	6.52%	4.85%	6.67%	8.26%	16.58%

With the January 1, 2016 pay rate increase of 6% and assuming a \$6B profit, the Delta pilots will be compensated 15% above American, 23% above United, and will have industry leading pay rates, the highest pay rates ever negotiated at Delta (or any other airline) while retaining an industry leading profit sharing program. There is no scenario under this agreement where you will make less money with this TA than without it.

Work Rules: This agreement has significant improvements in reroute language, a *pilot priority* in our council, as well as a Memorandum Of Understanding (MOU) that will give the Rotation Construction Committee the authority to use the additional credit time available by raising the TLV to 81 (from 80), to build higher quality rotations, as well as bid packages with a suitable variety of rotations of various lengths; which is a top *priority* of our pilots. Individual Vacation Days (IVDs) were established allowing a Delta pilot the equivalent of a paid APD, by using a portion of a vacation week when it would be most convenient, any month of the year. One of the areas where a compromise was needed to achieve the gains in this agreement was a modification to how first officer bidding is done with OE-identified rotations. We acknowledge that this is a productivity enhancement for Delta. OE rotations will be identified, and once 25% of them are awarded, the remaining 75% will be held back from first officer pre-month bidding. Obviously, this can have a slight ripple effect as trips are withheld from pre-month awards. This is an industry standard or better OE policy.

Scope: Total aircraft at the connection carriers will drop from 450 to 425; a 5.6% reduction and the total number of seats at the connection carriers will drop by 2%. Additionally, the block hour ratio between mainline to DCI will be improved from 1.56 to 1.81. The improvement in the block hour ratio is the most significant change, which protects Delta mainline flying. The improvement in the block hour ratio means that the mainline must grow by 50 aircraft to get the 25 extra 76 seat jets. The ratio ensures that the E190 aircraft are mainline growth aircraft, not simply replacement jets for existing aircraft. If Delta were to shrink, so must the connection carriers. For every two EMB190 aircraft that come into mainline service, Delta can add 1 (70/76 seat) regional jet to DCI, up to a maximum of twenty-five additional 70/76 seat regional jets. Concurrently, Delta must remove two 50-seat regional jets from DCI.

Modifications to the Transatlantic Joint Venture (TAJV) language are the most significant change to scope regarding wide-body flying. The TAJV language will no longer include US/UK flying since that is protected by the Virgin Atlantic Joint Venture, and the compliance metric will go from 50% equivalent available seat kilometers (EASK) with a plus-or-minus 1.5% margin with a three year lookback, to no less than 50% aircraft block hours, with a 1% downside margin, and a one-year lookback. While converting to aircraft block hours does not control seat or cargo density like the EASK metric does, using block hours versus EASKs offers significant improvements in downside protection. Combined with the one-year measure, one-year cure periods, significant fluctuations of flying will be minimized due to the requirement to correct a breach during the overlapping cure and measurement periods.

Our Scope Compliance and Analysis Committee Chairman has created a video to help explain this. Click on the link, [here to watch the video](#)

The Control language offers positive changes in Section 1 which are significant considering the long-term implications of an aviation industry facing a growing Middle East carrier threat, and wider global consolidation.

There are also improvements in fragmentation language as well as furlough protection for some 1,600 Delta pilots who are not currently protected by the existing contract. Every pilot on date of signing will be protected.

Benefits: Sick leave was the Company's number one issue, driven by a 30% increase in sick leave use by the Delta pilots since C2012. Simply put, without addressing this issue, there was no path to an agreement. Our Negotiating Committee addressed the company's concern by negotiating changes to the verification and medical release thresholds while ensuring that the fewest number of pilots are affected.

Most importantly, we maintained our sick leave benefit of 240/270 hours, depending on years of service. You still have the hours, and an industry gold standard sick leave benefit still available to you when you need it. All the changes were administrative in nature. There will be no lookback to previous years and all rolling cumulative totals will

start on June 1st, 2015, the start of the current sick leave year. It's important to note that most Delta pilots will not be affected by these changes. The new verification process will have additional privacy protections and will be HIPPA compliant.

Contrary to rumors, the strict language in Section 14.G limits the release of medical records to the single event. The notion that this releases all medical records is simply not true.

There are also new improvements in benefits including FAA Leave, which will pay-protect a pilot while awaiting FAA processing of his or her 1st Class Medical for up to 60 days. FAA Leave will not count towards the amount of sick leave a pilot can use, nor your cumulative totals. Another significant improvement is the elimination of the income offset of long-term disability benefits after 36 months on disability. This is a major benefit to well over 600 pilots currently on disability, and to many others in the future. The TA also greatly improved the disability benefits for pilots with mental health issues, who will now be treated and paid similarly to pilots with other disabling events. Finally, the establishment of a disability account will extend 100% pay for pilots transitioning from short-term to long-term disability. This added benefit is the first of its kind in the industry and was a result of direct input from the Atlanta pilots.

Miscellaneous improvements: There are many additional gains in the agreement that will have a different value for individual pilots based on their specific circumstances.

The agreement includes increases to Vacation Pay, CQ Pay, surface deadhead pay and per diem. The Quality of life improvements such as the reserves required formula and the establishment of Individual Vacation Days (IVD's) will allow you more options to adjust your schedule to your personal needs and desires. If your carryover rotation is changed in the next bid package by more than one day you will receive premium pay. You will also now have the option of being unavailable for the first two hours of every short call. Short call bucket 1 is reduced so that a pilot will move into short call bucket 2 after being assigned his or her second short call. In addition, you are credited 1 hour towards your guarantee for each short call.

This has not been an exhaustive accounting of this agreement, and is in no way a substitute for becoming fully informed. In the next few weeks you will have a decision to make; it needs to be an informed decision based on the facts contained in this agreement. Social media is a poor source of accurate information. Attend a roadshow; view the MEC Chairman's video by clicking [here](#), read the *Negotiator's Notepads*, and let us answer your questions in the pilot lounge. Finally, your number one resource for accurate information is on the MEC website at dal.alpa.org/.

Conclusion: Each of your Council 44 representatives conducted our own analysis of the details and separately reached the same conclusion. We voted to approve this tentative agreement for membership ratification. The decision to either approve or reject a TA is perhaps the most important and difficult decision a representative must

make, and we do not take that responsibility lightly. We achieved many of the goals of the pilot group, rejected some of management initiatives, and compromised where we had to reach an agreement. We kept your goals and priorities in mind and directed the Negotiating Committee, who accordingly acted completely within the direction of the MEC. While this agreement does fall short of expectations on pay for some pilots considering the need to convert a portion of our profit sharing plan, the agreement adds significant value to our contract (\$1.1-\$1.4 billion) and does achieve many of the priorities you told us were important.

Significantly, this TA contains not only industry leading pay rates, but the highest pay rates ever negotiated. In its end state, it adds an average of \$3,600/per month per pilot. This agreement also includes an industry leading profit sharing program, and addresses the two largest quality of life issues you've identified as a priority; reroute and trip mix.

When considering a TA that has significant value, it is incumbent on us, and eventually on you, to determine if rejection of the TA will lead to a realistic probability of getting more. A follow-on agreement would need to be not only substantively better, but also make up for the income lost during the delay. This TA contains \$114 million in value in the first six months alone, and an average of \$360 million per year beyond that; every day of delay is then costing us \$1 million as a group. If we reach another TA just one year after the amendable date, it would not only have to beat the pay rates in this agreement, but also make up for the dollars lost during the follow-on negotiations.

When considering all factors, including the recent [softening of the domestic and international markets](#), the likelihood of success in mediation with SWA, FDX, and UPS being unable to strike a deal after three or more years and the advice of our professional negotiators and subject matter experts, we believe that there is little upside potential by rejecting this agreement. With over a billion dollars in improvements on the table, there is significant risk, with little likelihood of achieving more. This was not a decision any of us took lightly given our expectations and desires, but as your representatives we had to make an unemotional business decision. It's a decision that weighed the risks and rewards of rejecting versus approving this tentative agreement for membership ratification. Ultimately, after much consideration, all four of us voted to approve this tentative agreement for membership ratification.

Now you must make a decision based on facts. You must do your homework, ask your questions and get informed. After you have gathered all facts, had your questions answered, concerns and issues addressed, we ask that you vote with the full knowledge of the pros and cons of each choice. We strongly encourage you to make your own individual decision based on what is best for you and your family.

Fraternally,

Hermon, Dave, Armando and David

Air Line Pilots Association, International
www.alpa.org