COUNCIL 44
COMMUNIQUÉ
DELTA AIR LINES

June 24, 2015

Section 1: Scope

Our Jets, Our Jobs

As we continue our series on the four cornerstones of our *Pilot Working Agreement* (PWA), we will next examine Section 1 and the changes proposed in the recent tentative agreement. There have been questions on the change to aircraft block hours from Equivalent Available Seat Kilometers (EASK) on the Trans Atlantic Joint Venture, the Domestic Production Balance on the mainline-to-DCI block hour ratio, and the new restrictions on international partners' use of our company's name, logo, livery, trade and service marks. We will look at each of these items plus highlight a few gains for this pilot group that add jobs today, and protect us tomorrow.

TAJV; Trans Atlantic Joint Venture DL/AF/KL/AZ:

The AF/KLM joint venture produced the world's largest transatlantic network creating greater flying and passenger flows through Atlanta, Detroit, Minneapolis, New York-JFK, Cincinnati, Salt Lake City and Seattle to European destinations, Moscow and French Micronesia. The intent of the agreement was simple; we do half, and our partners do the other half. The company's agreement with its partners (the commercial agreement) used a metric initially unfamiliar to pilots, the "equivalent available seat kilometer" and defined the theater flying as "Bundle 1."

Since these measurements allowed slightly more than half the flying to be done on Delta jets, due to fleet makeup, your negotiators conformed the language in the commercial agreement; half (50% + or – 1.5%) the Bundle 1 EASK.

A number of developments modified this agreement and we expect more change as the current business has several unanswered questions.

The first significant change was the addition of Alitalia in 2010. Since Alitalia operates from the European side, your negotiators successfully resolved their addition as being accretive to the European side of the balance. At the time both the company and ALPA expected Delta to grow as aircraft came out of modification lines.

The prolonged European economic malaise resulted in a double dip recession in the last quarter of 2012. Delta made the decision to redeploy aircraft into Latin America, South America and across the Pacific rather than building up their side of Bundle 1. Delta's European partners lacked the flexibility to redirect out of Europe. As a result, the equal share never recovered to its intended balance and Delta's share lagged at about 46.8%.

The good news is that the Delta pilots achieved a significant mid contract scope improvement during the winter of 2014 in the Virgin Atlantic JV. This includes a ***global production balance*** of twin aisle international flying with Delta pilots flying more than 68% (in its current band) of the total global. Flying within this JV has grown since inception and is currently around 73.8% in favor of Delta pilots.

In Contract 2015, Delta's pilots' goals were clear. Delta pilots want the company in compliance on scope. Continued noncompliance, even if compensated through grievance settlement, is not the long-term strategy of this pilot group. The Delta pilots wanted the measurement interval and metric tightened, and they were, from a 3 year rolling measure to one year, from + /– 1.5% to no less than 50% -1%, with no cap on the upside.

TA 2015 restores compliance and uses the metric which most directly relates to pilot jobs, the block hour. Understand that we refer to half of the aircraft block hours. Because we have different crew augmentation rules, Delta pilots fly significantly more *pilot* block hours than *aircraft* block hours (and more than our European partners).

Another way that TA 2015 restores compliance and favors the Delta pilots is that "Bundle 1" has been redefined to *exclude* the flying between the U.S. and U.K. This benefits the Delta pilots inasmuch as the success of the Virgin Atlantic JV has thus far seen Delta flying increase to the U.K. Since this is a balance, double-counting our growth made the measure less effective in protecting Delta pilot jobs.

Some have raised concerns that changing from a capacity (EASKs) measure to block hours will result in Delta down-gauging transatlantic flying; Delta's own statements to its investors advise otherwise.

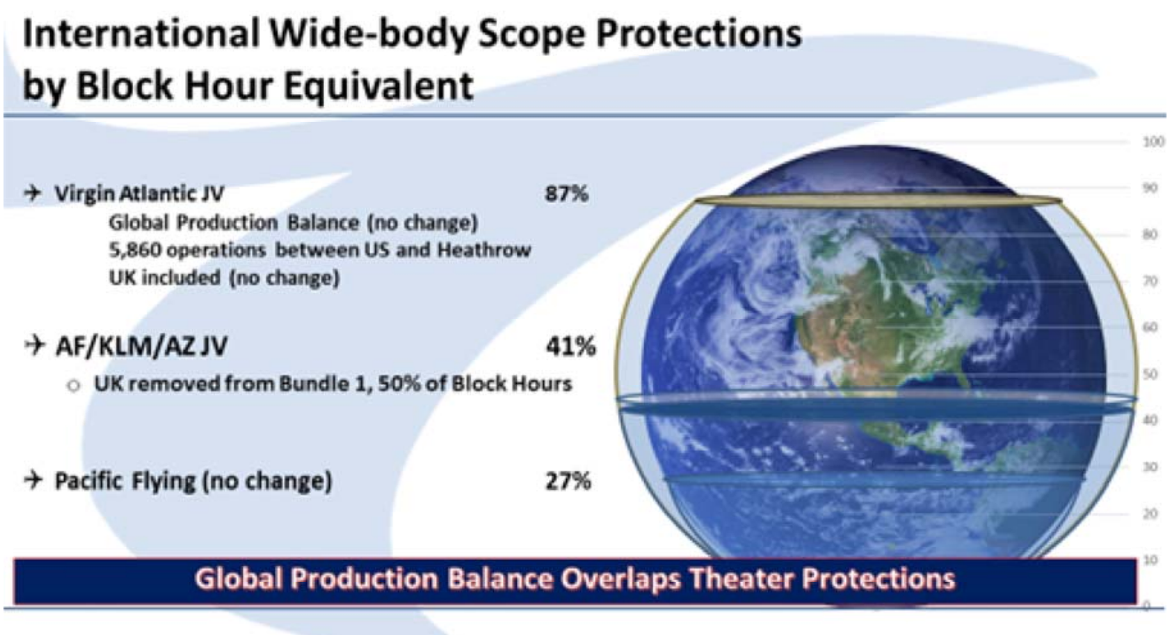
"The widebody A330-900neo, an enhancement of Airbus' successful A330 family featuring greater aerodynamic and economic efficiency, will be deployed on medium-haul trans-Atlantic markets as well as select routes connecting the U.S. West Coast and Asia. The aircraft are scheduled to enter the Delta fleet in 2019 and will deliver a 20 percent operating cost savings per seat over the Boeing 767-300ER aircraft it will replace."

http://news.delta.com/delta-adds-a350-900-a330-900neo-its-fleet-plan

While Delta up-gauges, the trends have been for A380, B747 and A340 operators to down-gauge. Currently 6 A380s sit parked without lessees. As nearly all airlines, with the notable exception of the "Middle East Three," plan for the sweet spot near the A350, A330, and 787, our block hour ratio again works in our favor. The new language memorializes one less flight at the current seating capacity and puts the company in compliance. The quid pro quo is a downside protection that does not hurt us on seating density as EASKs would (one A380 = 2 A330s), a one-year measurement period, a tighter margin, and it is just good insurance considering the economic instability in Europe and the ME3 realities that we outlined above.

It is also worth mentioning once again that the Virgin Atlantic JV specifies a capacity measure (Available Seat Kilometers) and if the company was to down-gauge to narrow body jets, the deficit would have to be made up as a result of this additional layer of wide body scope protection.

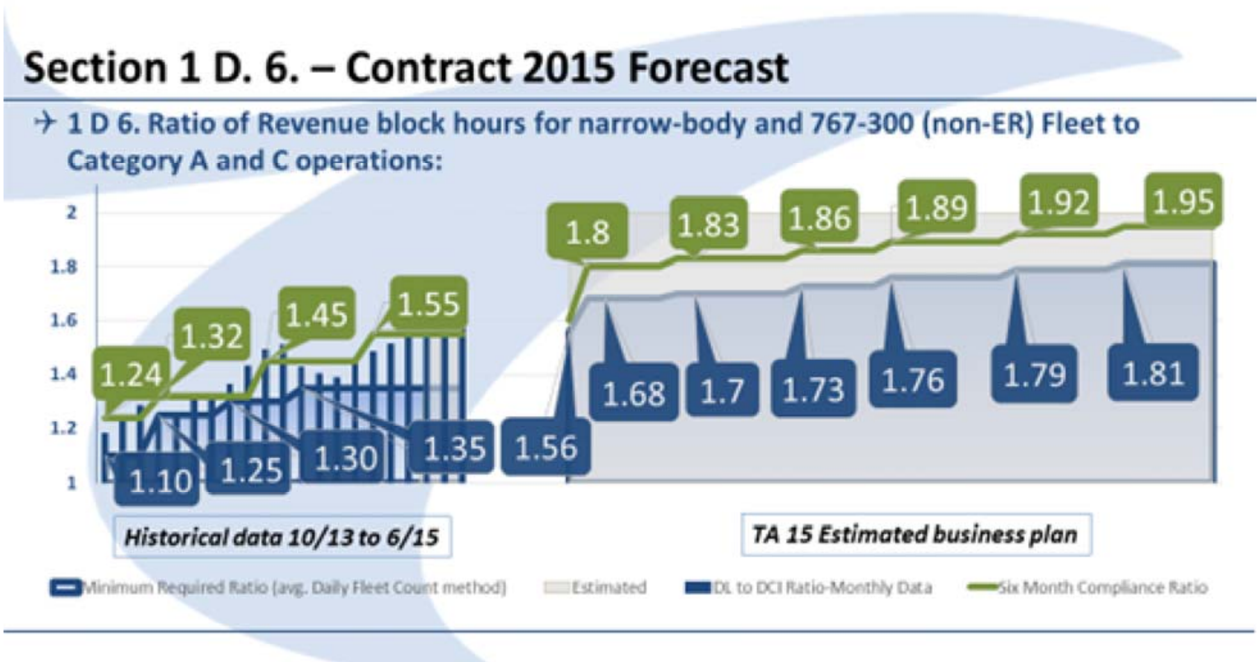
It is always risky to make forecasts in dynamic markets, but what we are seeing is a realignment of Alitalia's network to feed Abu Dhabi from North and South America through its hubs in Rome Fiumicino, Milan Linate and Milan Malpensa. Air France and KLM have announced greater codeshare cooperation with Etihad (a 49% owner of Alitalia). These moves are in contrast to their commercial agreement preventing competitive operations with AF-KLM's statements to the U.S. Department Of Transportation that they support U.S. carriers' position on government subsidies; warning that *"unless action is taken swiftly, the US will find itself facing in five to ten years the level of market penetration by the Persian Gulf airlines that already exists in Europe."*



DCI Domestic Production Balance Improvements:

When Delta and Northwest merged the ratio of mainline domestic block hours to those flown by former Airlink and Delta Connection Carriers, it was less than 0.9. Since our joint collective bargaining agreement, we have progressed from flying fewer block hours than our connection partners to now flying about 1.6 times their block hours.

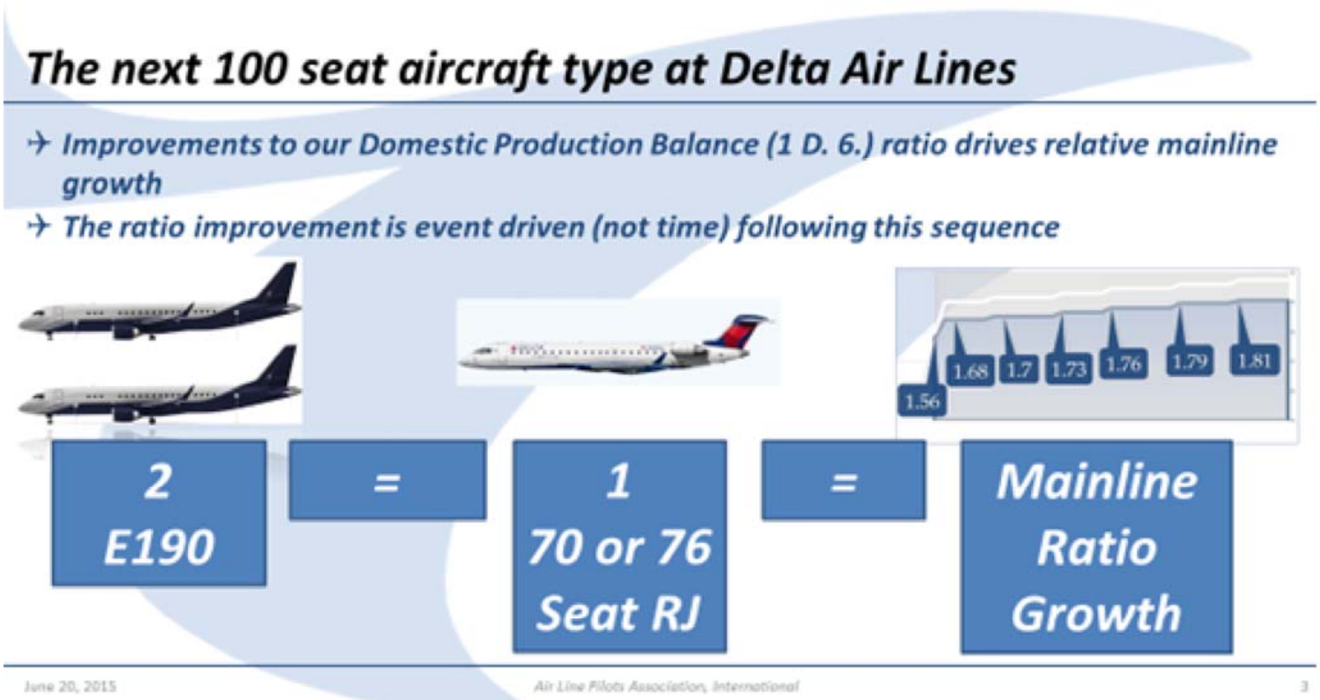
As a result of our success we must now improve on the protections we gained in Contract 2012.



The company has announced its intention to acquire 20 E190 and 40 B737-900 aircraft contingent upon ratification of this TA. While some pilots have seen this as an inducement, or a threat, it is *neither*. It is a business plan.

Nothing prevents the Company from acquiring aircraft. Our current pay rates on the E190 (less than MD88 first officer rates) are poor, and below what one would expect for a Delta captain. These low rates would allow management to operate these aircraft at lower costs under our current agreement; lower costs on the backs of our pilots. Under Contract 2012, the E190 could be used to replace the entire MD88 fleet without reaching the current C2012 block hour floor. Full disclosure and in the interest of not starting any rumors, we have no, none, nada information that the MD88 fleet is in peril; we are just stating the mathematical fact that we have outgrown our current protections.

What TA 2015 accomplishes at end state is a raising of the floor on our domestic production balance, the equivalent of the block hours flown by 82 B737s, or 104 MD88s. Raising this floor ensures that the E190s trigger a process which protects more than just their own deliveries, but nearly twice as many block hours as the E190 itself can fly.

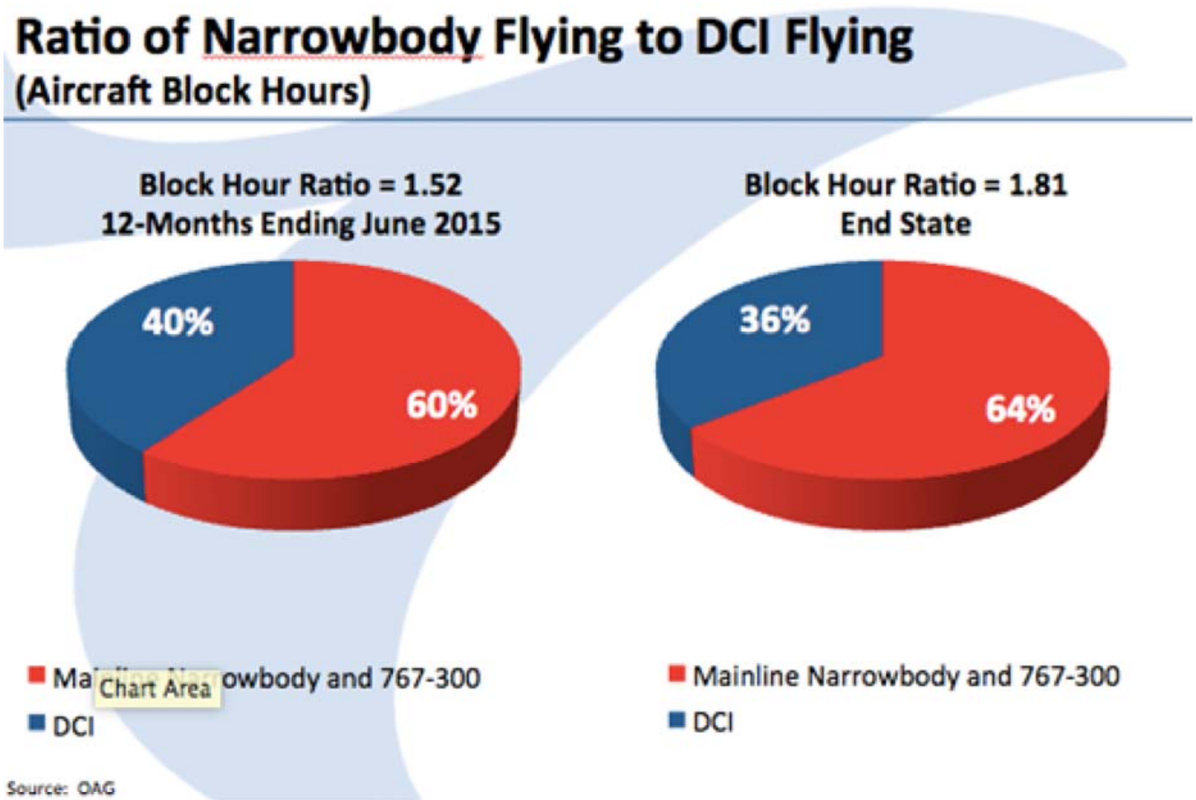


The progression of block hour ratio improvements in TA 2015 is event (not time) driven. For every two E190s (up to 50) placed into operation at the mainline, Delta earns the ability to acquire one 70 or 76 seat jet (up to 25), which in turn drives our mainline production ratio higher. This process itself is an improvement on C2012's 1:125 ratio of 717 deliveries, raising it to 1:2 for the E190.

It is probably more accurate to call the 70 or 76 seat aircraft "conversions" since the overall DCI fleet shrinks from an end state of 450 under Contract 2012, to 425 in TA 2015. Earlier this year, Delta cancelled 30 orders with Bombardier and has recently been sourcing CRJ aircraft from the used market. Further the change to a 70 to 76 seat metric was used so 70 seat (usually flown at 65 seat capacities) are counted for our block hour ratio improvement.

Finally, restrictions that were not really limiting the company were removed. Since the company discovered unit cost analysis and began up-gauging Delta has not come close to any of our hub-to-hub flying restrictions. The current contract limit on DCI hub-to-hub flying is 6%, and historically DCI hub-to-hub flying has usually been about 3%, TA 2015 does away with that restriction. The 900 statute mile restriction was also removed, as the end state TA 2015 block hour ratio ensures that when a DCI jet flies a block hour, a Delta jet flies more than 1.81 block hours. The ratio not only provides a natural counter balance, we grow relative to Delta Connection operations.

The company is currently a dozen aircraft *under* its incremental allowance of 76-seat regional jets. Contract 2012 limits are not currently restricting the 76-seat RJ fleet.



Alter ego protections:

TA 2015 gains new protections against certificates of convenience, subsidiaries and affiliates being used to evade scope. "Control" language now includes the combined interest of the company and company affiliates, as well as the control one company has over the marketing and flight schedules of another. This reaches its logical conclusion with TA 2015 removing the exception, which currently allows Republic Airlines affiliates to exceed the aircraft types permitted in Section 1 D. 2. New protections were also gained which prevent offshoring of pilot jobs.

Important new protections were gained with new language in Section 1 E.9 that prevents an international partner using our company's operating certificate, corporate identity, name, logo, trademarks, service marks, livery or paint scheme without the approval of our MEC Chairman. Some have expressed concerns that our MEC Chairman would have the sole discretion to give approval. While it is understandable that some may be concerned that the MEC Chairman would have that authority, putting this issue in context, currently no authorization is needed at all.

Conclusion:

The scope section of the Delta pilot working agreement is complex, as it needs to be to ensure that Delta pilots do Delta flying in the complex world of international joint ventures, equity investments, alliances, codeshare partners, interline agreements, subsidiaries, fee for departure and affiliated operators. The goals of the Delta pilots were simple; tighten compliance with the trans-Atlantic Joint Venture, increase mainline block hours, increase the mainline fleet – including the capture of next generation 100 seat aircraft; all of which drive an improved ratio of mainline flying. These contractual goals were met in this agreement.

Fraternally,
Hermon, Dave, Armando and David

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