First Officer Representative's Perspective
C2015 TA—Part 1
Scope and Compensation

June 15, 2015

On Friday, Council 108 Captain Representative and Chairman Robert Hazzard sent you an update highlighting the positive attributes of the C2015 TA. In his glowing analysis of the TA, Captain Hazzard neglected to include most of the negative aspects of this agreement. When I ran for the first officer representative position, I promised you that I would be straight and honest with you. I said that I will not try to sell anything to you, but will lay out the pros and cons of any agreement being voted on. I will honor that promise and not sell you on the merits of this tentative agreement.

While writing this perspective, I began to notice many disparities between what we were briefed on and in what I was actually finding in the language. As a result, I didn't just repeat talking points; I took the time to do a deep dive into the language of this TA. My goal for this two-part perspective is to show you my opinion of the good and the bad as well as to explain my vote against the MEC resolution to send the TA to the membership for ratification and help you to make the best decision for you and your family.

Scope
The company approached the MEC late in negotiations with a proposal to allow additional 76-seat RJs at DCI carriers in exchange for 50 100-seat mainline jets. I am for capturing any additional flying for mainline that we can, be it big or small. However, I am not for giving up any additional scope protections to achieve it, certainly not paying for it at the negotiating table. Here are the details with my commentary:

- DCI fleet shrinks by 25 total airplanes (5.6% hull number, 2% seat count)
- Addition of 25 permitted 76-seat RJs at DCI. We are basically trading 50 50-seat RJs for 25 additional 76-seat RJs and the guaranteed purchase of the E190s.
- Mainline to DCI block-hour ratio increases from 1.35:1 to 1.81:1
- Removes the 1.D.4-6 restrictions.
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    - Eliminating 1.D.4 eliminates the requirement for at least 85% of the category A and C operations each month to be under 900 statute miles.
    - Eliminating 1.D.5 removes the requirement for at least 90% of all category A and C operations each month to operate from ATL, CVG, DTW, FLL, LAX, MEM, MSP, LGA, JFK, MCO, SLC, SEA, and TPA (i.e., actually connecting passengers to the Delta network, not point to point).
    - Eliminating 1.D.6 removes the restriction of Category A and C carriers from

flying between the airports listed in 1.D.5 (hub-to-hub flying).
  - Removing the 1.D.4-6 language allows the company to use the RJs like mainline, meaning they aren't being used to necessarily feed mainline anymore.

- TAJV reduced to a 50% block-hour capacity baseline
- Converted from an EASK metric to block-hour metric for all transatlantic flying
- 1% buffer and a one-year measurement/cure period.
- Changes to Section 1.E.9

On the large airplane flying, we have converted the EASK metric to a block-hour metric. On one hand, this is good because block hours equals pilot jobs and this is a good downside protection; however, we lose the upside protection the EASK metric provides during up gauging. We also reduced from the current 51% of bundle flying to 50% on the TAJV, including the carveout for UK with Virgin Atlantic. If we had been on a block-hour metric instead of EASKs over the last four years, the company would have been in compliance. So, what we are really doing is changing the terms that they didn't live up to into what they can live up to currently, which allows the company to be in compliance. This is a further concession on top of what was conceded by Captain Donatelli with the grievance settlement two weeks ago.

A further concern is AF/KL/AZ increasing gauge with Delta decreasing gauge all the while keeping the block hours the same. Currently Section 1.R.2 has a twin-aisle production balance, which was negotiated under the VS JF LOA, which keeps us safe in this scenario. However, you must ask yourself, what if Delta ended the joint venture with Virgin Atlantic? Under this scenario, the twin-aisle production balance using ASKs would go away, which would allow AF/KL/AZ to upgauge while Delta downgauges. Given the overcapacity in the transatlantic market, the capacity flooding of the ME3, and the refusal of our JV partners to reduce capacity, I am not comfortable with our exposure created by eliminating the EASK requirement of Section 1.P.4 under this TA. I believe we should have both metrics in 1.P.4.

Another aspect of the TA as it relates to the AF/KL/AZ JV is the measurement period. The 3-year measurement/1-year cure has been converted to a 1-year measurement/1-year cure. This is a good thing except that, in theory, the company could be in compliance 1 year, out the next, then cure back in the following, then out, then in into perpetuity. This is not exactly what I have in mind for protection.

Section 1.E.9 was inserted into the PWA under the auspices of improving fragmentation protection. The first sentence of this section is good, limiting any international partner from placing Delta livery on their aircraft or using the Delta name. However, the second sentence gives the MEC chairman sole approval to allow Delta to engage in such a scheme. While this should not be an issue, I will remind you of the recent settlement our MEC chairman agreed to on the AF/KL/AZ JV settlement without consultation from the MEC. Prior to coming to Delta, I flew for Astar Air Cargo, which had been the original DHL Airways. One of the ways DHL was able to build a vast international network was setting up national carriers all over the world that fed into the network. They all wore DHL colors and as far as anyone could tell were DHL. But they were not, and the pilots were not of our seniority list, often making 30 cents on the dollar. Toward the end of my time there, I saw much of our flying go to other carriers along with our airplanes and a naïve MEC chairman negotiate a deal to trade scope protection for pay that ended up getting 80% of the pilot group permanently furloughed within 6 months and the rest just a few years later. In my opinion, the new 1.E.9 language in this TA sets a dangerous precedence just like DHL by giving a single person so much authority to sign away so much of our protection.

Compensation
We received seemingly modest increases to our hourly rates as followed:

- 8% on 7/1/2015
- 6% on 1/1/2016
- 3% on 1/1/2017
- 3% on 1/1/2018

I would be okay with those rates if it weren't for one problem. Those rates are after the profit-sharing conversion. The profit sharing has been adjusted such that the trigger for the 20% has been moved from $2.5 billion to $6.0 billion for the profit-sharing year of 2016 and on. Delta has never exceeded $6.0 billion in a single year ever in the history of the company. Further, if you were to apply this metric to the 2014 profit sharing, the value would equal 5.74% hourly rate increase. The net effect is that the 6% raise on 1/1/2016 is reduced by the 5.74%, thanks to the conversion equaling a raise of .26%. Then the raises in 2017 and 2018 are eaten up by inflation, so the net effect is that you will only see an increase in 8.26% in your buying power. But wait, there's more. The PTIX definition has been changed to include gains or losses with respect to employee equity securities which had not been there before. This means that management options will be taken out of the pretax income before we get our profit sharing, which further reduces our profit-sharing pie percentage. In my view, this is hardly historic.

Additional positive compensation notes:

- Direct contribution increases from 15% to 16%.
- Per diem increases of $0.05/hr. on 7/1/15, 1/1/16, and again on 1/1/17.
- Per diem will be paid for deviation from deadhead with front- and back-end deviation
- Vacation pay increased to 3:30; however, credit remains 3:15 (bidding implications)
- CQ pay rises from 3:45 to 4:00
- A350 pay equal to 777 pay
- A321 pay equal to 739 pay
- A339 equal to A333/A332 pay
- E190 pay table increased to E195 pay rates
- 3. B.4 now includes profit-sharing metric
- Minimum pay increased to ALV for pilots in training
- 2 hours suit-up pay if meeting with a chief pilot (excludes probation evaluation)

The 3.B.4 metric is somewhat elusive on first glance. It looks like no big deal until you accept that it only compares the Delta rate to United and AA rates. The TA language now includes profit sharing into the metric where it wasn't before. Since AA has no profit sharing at all, this has the effect of dragging down the average. This means that unless AA gets a huge hourly rate increase (unlikely) this has virtually nullified the 3.B.4 language as with our remaining profit sharing AA is unlikely to catch up.

Part 1 Summary
Having been on the losing side of scope a number of times in my career, I take it very

seriously. There is a good reason why it is always Section 1 of any ALPA contract. In this TA we have effectively traded away key pieces of our scope to attempt to unlock value in compensation and to chase the shiny new used jet. Unfortunately, we failed at the pay only getting a net increase in pay of 8.26% after the effects of inflation and profit-sharing conversion and we traded scope to get airplanes we can already get. Was it worth the trade? I think not, but that is for you to decide when you cast your vote.

In Part 2, I will outline changes to Sick and Scheduling/Work Rules. Scope and Compensation were difficult areas for me to give up, but what changed in Sick and Scheduling were absolute show-stoppers when I cast my “no” vote. I will also include a summary on my view of the negotiating process. Stay tuned, as Part 2 is coming soon.

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