



# Council 20 / DTW

## Tentative Agreement Perspective & Review

### Mini-Thesis Version

June 21<sup>th</sup>, 2015

Council 20 Members:

As you are no doubt fully aware, and as we mentioned in our special update, the Company and ALPA reached a Tentative Agreement on Contract 2015 on June 4<sup>th</sup>, which the MEC elected to submit to MEMRAT **without recommendation or approval** on June 10<sup>th</sup>. While there are some improvements in a few areas, there were also significant concessions in individual contract sections. In some cases these items have potentially serious ramifications to the quality of life for the Delta Pilot. *In the simplest terms, we believe that this TA represents the most significant gap between expectations and results, including considering during the “bad times”, in a very long time (if not ever).*

### The Landscape

To start, a bit of historical perspective: in 2000, Delta Air Lines had a pretax income of \$1.5 billion dollars (that's billion, with a 'b'). In 2014, Delta had a consolidated pretax income of \$4.5 billion dollars (which was approximately equal to \$6B PTIX). *Note: Throughout this update you'll see us refer to “pretax income”; we intend to use this term synonymously with “consolidated pre-tax income”, and it should not be confused with “PTIX”, which is a term associated with the profit sharing (PS) computation and distribution and is always greater than the consolidated pre-tax income, in general terms, by the amount of that year's profit sharing pool and (currently) three other accounting items (discussed later). You'll also see communications from the MEC Leadership that focus on **PTIX** without really explaining that it **is a greater number than the publicly advertised consolidated pre-tax income with which most are familiar**. A consolidated pre-tax income in the \$5-6B range leads to a PTIX as approaching the \$7B range. The MEC communications are either having difficulty with this point or are unwilling to clearly delineate the difference.*

Using the consumer price index (CPI) as a standard, 1.5 billion dollars would be roughly 2 billion dollars in 2015. The 2014 income (before taxes) was more than twice that amount.

The Company publicly projected a pre-tax income for 2015 in excess of \$5B earlier this year and analyst consensus is for stronger performance in 2016. In the past six years, debt has been reduced by \$10 billion dollars (saving millions in interest expense every year). The Company has, or plans to accomplish, over \$6 billion in share repurchases and dividend payments over the course of 4 years (2014 to 2017).

To put our contract value in context, Contract 2012, which was a targeted agreement (meaning it only sought to change a limited number of items), had a valuation to the pilot group of roughly \$400 million per year. In comparison, the valuation of Contract 2015, which was in theory a “comprehensive Section 6 negotiation” is roughly \$350 million per year.

### **“The Contract”**

Our pilot working agreement is made up of “four legs”. Scope, Compensation, Benefits & Work Rules. It cannot stand on three. When evaluating the contract as a whole, you cannot only evaluate it on one leg alone. If you make one leg taller, but the other legs shorter, you get a wobbly table.

### **“Emphasizing the Cons.....and the Pros”**

While the MEC sent the Tentative Agreement out with no approval or recommendation (only an approval to send to MEMRAT), there is an ongoing MEC Leadership led, high speed, high volume, aggressive effort, probably with an accompanying laser light show, music and maybe even an appearance by a motivational speaker, to provide a set of “facts” to the pilot group. Our initial feedback from Council 20 pilots, those from other bases / councils, and some, well, “electronic media” on this effort is that it is clearly geared towards a strong “PRO-TA” message.

The Negotiating Committee, not bound by the MEC’s “non-recommendation”, heartily endorses the TA and this is reflected in the “Negotiators’ Notepads” that have been produced (although in their first effort, they incorrectly said the TA was “approved by the MEC”).

With the plethora of “positive news” and the fact that the ratification effort will likely cost over \$750,000, we felt it was appropriate to produce a publication that provided some balance.

We mention the positive items in this update where warranted. Beyond that, this update is just our normal commentary, with *NO* “do not pass “GO”, go directly to NMB jail....AND MAYBE EVEN A PEB!!!! And do not collect 8%” hyperbole.

*Note: 750,000 dollars was the final cost of the C2012 ratification effort. This number was repeated as an argument against MEMRAT for LOA 14-01 (FAR 117 Implementation LOA). We can only assume that the effort for C2015 will be similar, if not more expensive. Most of the Pilot-to-Pilot and Delta Pilot Network volunteers (as well as the LEC reps / MEC members) in the lounges and at the roadshows will receive Flight Pay Loss (FPL; “trip drops”). The members of the MEC Administration are on full-time FPL / union leave.*

## **“A TA of Asterisks”**

As we delve into the specifics of the malodorous parts of the C2015 TA there will be items that on the surface “look good”, and may even be “positive talking points” in our game of “Buzzword Bingo.” However, in our opinion, many of those items come with “asterisks”, which lead to other details that are “not so good” or could be considered concessionary.

It is VERY important to read the fine print and we will attempt to highlight those points in this update.

Let’s get down to the details:

## **SCOPE**

Scope is Section 1 for a reason; clear definitions and protections about what “our” flying is, is just as significant as how much we get paid to do it.

### **Joint Venture Scope (AKA “Big Jet” Scope)**

- Scope language expanded from just “Company” to “Company & Company Affiliates”
- **JV Language Improved!\***

\*As many know, the Company was out of compliance with the current Air France/KLM/Alitalia Joint Venture provisions. This was the genesis of the recent grievance settlement. The current provisions in the PWA measure the “operations” of each participant in equivalent available seat kilometers (EASKs). This metric measures seat and cargo capacity that is made available over a distance. In order to keep in balance, as one partner operates larger aircraft (with more seats), it theoretically requires partners operating smaller aircraft (with fewer seats) to operate more flights. For example, if one partner flew 747s and A380s and another partner operated 757s/767s, the 757/767 would have to operate more flights to keep the production “in balance”.

With this metric, “more, smaller aircraft” works in our favor because more aircraft = more pilot block hours. This is one of the reasons that the “twin-isle ASKs” metric was chosen for the Virgin Atlantic JV language. They fly a lot of BIG aircraft and we fly more, smaller aircraft.

The downside is that if the partner “parks” big aircraft that can trigger the requirement (for us) to park more, smaller aircraft to maintain the production balance (there’s also a corporate agreement governing a production balance with different values). Presumably due to operating smaller aircraft, Delta has NEVER been the partner out of compliance on the “high side” of the AF/KLM/AZ JV. The downside risk, in this instance, is purely theoretical.

An alternative way to measure compliance is with “block hours”. It does not account for the differential in aircraft size, nor does it take into account any cargo capacity. An argument can be made that aircraft block hours correlate more closely to actual pilot block hours (jobs), and that is true, if one does not

take into account “job quality” (i.e. pay...in the block hour model, a 737 job is the same as a 747 job).

On the other hand, Delta does not purchase airplanes to have them sit around doing nothing, so the number of aircraft is also a practical way to measure pilot jobs.

For several years the AF/KLM/AZ JV trend line has been below the production balance margin. The initial PWA language contained a 3 year measurement period, and 1 year cure period (correction period), with no pre-agreed penalty for non-compliance. When ALPA grieved the non-compliance at the end of the one year cure period, the financial settlement was only \$30 million dollars, which amounts to very roughly \$2300 per pilot (since the final distribution amounts have yet to be determined). Being in compliance would have meant more Delta flying, which would have entailed some cascade of pilot staffing (more positions, more lines, more upgrades, etc.).

The C2015 TA changes the metric for the AF/KLM/AZ JV from EASKs to block hours & resets the JV production balance to 50% (already excluding the flying that the Virgin Atlantic JV covers). This protects against the theoretical downside risk, but it exposes the Delta Pilots to a lack of more substantive participation in any upside benefit should the other JV partners add relatively larger aircraft (which they already operate). Under the block hour metric, a Delta 757 counts the same as an Air France 330 or a KLM 747.

But there’s MORE!

- Currently we have approximately 51.5% on a BH basis of the flying (adjusted to account for the removal of the Virgin Atlantic JV flying from the AF/KLM JV).
- The new agreement requires us to have 50% of the flying and grants a further downside cushion of another 1%, to 49%.
- Since the Company was already out of compliance with the JV terms under the EASK method, switching to this BH metric effectively “resets” the JV terms to be “in compliance”.
- The overall potential loss to the Delta pilots is on the order of at least another 2.5% of the “large aircraft” flying that is currently protected by the PWA.
- The measurement period was reduced from 3 years to 1 year (that’s a good thing). The company still gets one year to “get into compliance” (the remedy period), but at least in theory, the company could contend to not be in violation if they oscillate the flying between in compliance and out every other year. It *would* prevent, in theory, the Company from getting wildly out of balance.
- THERE IS STILL NO FIXED REMEDY FOR A VIOLATION OF THE PWA JV LANGUAGE.

## **RJ Scope (AKA “Small Jet” Scope)**

## **Improved the minimum required ratio of flying between mainline and “DCI”\***

The block hour ratio of “permitted aircraft” (known generically as “RJs”), will increase from 1.35:1 to 1.81:1. This ratio is a measure of mainline narrow-body block hours (including domestic 767s) to “DCI” (generic term for “Fee for Departure” operators with Capacity Purchase Agreements with Delta) block hours. This is designed to protect mainline flying in the event of a downturn. It helps ensure that if mainline pulls down flying in domestic aircraft, DCI would also have to shrink. The total number in the RJ fleet is reduced from 450 to 425. This is, in theory, a good thing.\*

\*Currently, the limit is 102 70-seat RJs, and 223 76-seat RJs, for a total of 325 “large RJs” with the balance of permitted aircraft being 50-seat RJs, for a total of 450 aircraft with 76 seats or less. Under the current agreement, a portion of the maximum number of 76 seat RJs is tied to the number of 717s.

Under the TA for C2015, the number of 70-seat RJs will start out at the current 102. More latitude is given to the company to fill in the rest of the “large RJ” fleet with either 70- or 76-seat RJs. The total number of “large RJs” in this category (70/76-seat RJs) will increase from 223 to 248 (**25 more “large RJs” for a grand total of 350 70- and/or 76-seat aircraft**). The exchange for this, however, is a reduction in the number of overall RJs to 425, which will include up to 75 “lines of flying”\* worth of 50-seat RJs as well as the Company acquiring a “new 100-seat narrow body aircraft”, which has already been announced to be the Embraer E-190. (This aircraft is in the same class as a DC-9-30, albeit with longer range. USAirways (AMR) & JetBlue operate(d) this class of aircraft).

These aircraft DO NOT NEED TO BE GROWTH AIRCRAFT. They can be replacement aircraft.

\*The other caveat to the 50-seat RJ reduction is that the actual numbers are NOT based on hull counts, but “aircraft equivalent block hours” (“lines of flying”), the calculation of which is relatively straightforward, but the hulls required are approximately 10% more than the “lines of flying” targeted. So on a hull basis the reduction of allowed 50-seat aircraft is more like 17 or 18 rather than 25. This means that the 425 is not a hard limit, rather the 50-seat RJ could be 80+ which will increase the total to 430+.

When you break it down looking at industry trends, it looks like this:

The Company has a serious issue facing its small-aircraft feed. The Regional Airline model is in serious distress due to lack of pilots. Further, the relatively high cost-per-seat-mile of the 50-seat RJs make them quite uncompetitive in today’s market space. What this deal will do is allow the company to solve its small RJ staffing issue by replacing 50-seat aircraft, which are far less competitive (and would probably go to the boneyard on their own accord), with 70/76-seat RJs. Further, the 70/76-seat class of RJ is a far more capable airframe than the 50-seat RJ, which is often significantly payload limited. This wouldn’t be an issue with our current PWA, as

there are “performance protections” built in....***BUT, the C2015 TA also removes those restrictions.*** Those "removed" small jet protections include:

- 85% (or less) of flights within 900 statute miles
- 90% (or less) of flights hub to hub (prevents RJs poaching “point to point flying”)
- No more than 6% on “hub to hub” flying (the “save our jumpseats” clause).

***WHILE THE COMPANY HAS HISTORICALLY BEEN IN COMPLIANCE WITH ALL OF THESE PROTECTIONS, THEY WERE ELIMINATED IN THE C2015 TA.***

#### **Other Scope Concerns:**

- **SEA is still not a hub.** (This was one of the few specific items in the C2015 opener). Still no protection if Alaska & Delta improve their relationship. However MEM is still a hub, so that’s good news. Right?
- **Section 1.E.9.** This prohibits Delta from placing their “marque” (branding) on a foreign air carrier, UNLESS approved by the MEC Chairman. Not the MEC...one person gets to decide this. *We don’t recall any MEC discussion about this prior to seeing it in the TA language.*

#### **Positive Items in Scope (there are a few):**

- Improvement in “control” and “foreign base” and “foreign partner” language.
- Nine prorated RJs no longer allowed, although the total number of “permitted aircraft” remains the same.
- All current pilots (as of Date of Signing of the TA – DOS) now covered by furlough-mitigation language.
- Stronger requirement for DCI to hire furloughed pilots.

#### **Compensation (AKA “the first thing people turn to”)**

##### **Pay Rates**

- The Pay Rate increases\* are:
  - 8% July 1<sup>st</sup>, 2015
  - 6% January 1<sup>st</sup>, 2015
  - 3% January 1<sup>st</sup>, 2016
  - 3% January 1<sup>st</sup> 2017

\* These pay rates are coupled to a reduction in profit sharing in a 5% to 6% W2 range (very roughly, between a 1/3 and 1/4 reduction), considering Delta’s “expected” consolidated pre-tax income (and subsequently derived PTIX) at least early during the contract term.

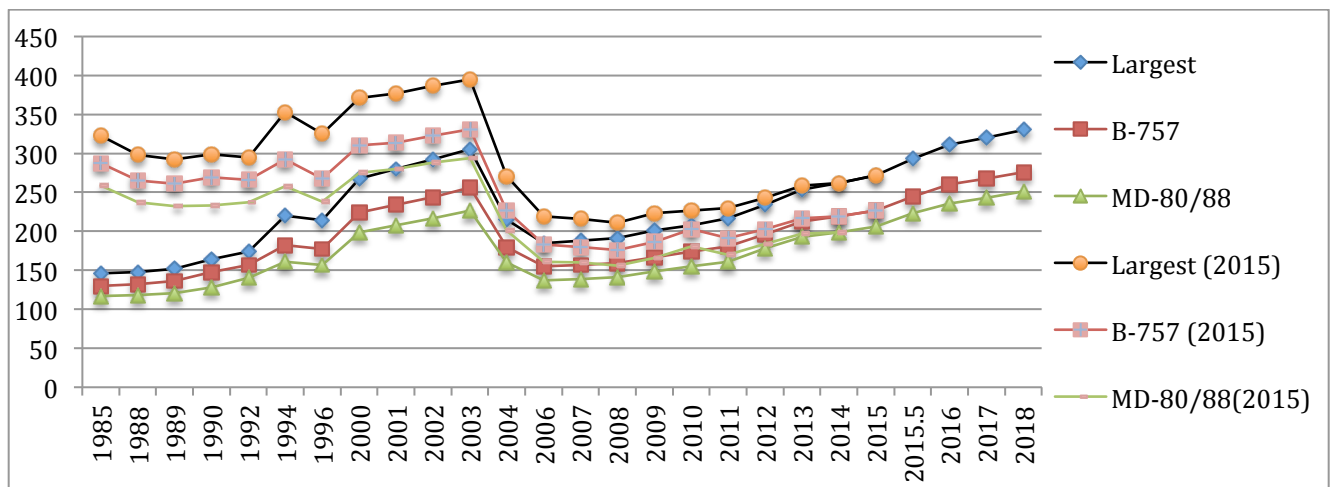
##### **Other pay items:**

- Established a pay rate for the A350 equal to the B747/B777 rate\*.

- \*Good thing since the 747s are going away. The 350s are essentially “replacement aircraft”.
- Established a pay rate for the A321 equal to the B737-900ER rate\*.
  - \* But neither aircraft pays what a 757 does, which is the aircraft both of these types are slated to replace.
- Increased the pay rate for the E190 to equal the E195 rate\*.
  - \* Which brings it in line with the MD-88/90 & 319/320 paradigms.
  - \* Also the largest single pay increase of any aircraft from the current rates.
- Airbus 330-900 will pay the same as the balance of the 330 fleet\*.
  - \*The 330-900 is generally a more capable aircraft than its siblings, so it's good it pays the same, so the -200s and -300s won't feel bad.

\*Inflation takes a toll. **While the TA gets actual pay rates above the 2004 level by 1/1/17, it uses a profit sharing trade for 5.74% AND will have taken 13 years to get there on a non-inflation adjusted basis.**

After some historical review, we charted the pay rates for the largest aircraft on the property (it varied), the 757 and the MD-80/88. The bottom set of lines represents actual pay rates. The top set represent the pay rates adjusted to 2015 dollars, using the Bureau of Labor Statistics Consumer Price Index (basically, the “basket of groceries model”), and marked with a (2015) in the legend. As we get closer to the current year, the lines merge, as you would expect.



What is compelling about this chart is that even at the end of the C2015 TA's duration, the pay rates, when adjusted for inflation, STILL DO NOT match the pay rates attained in the early 2004 (and that is assuming inflation going forward is zero, a number we know is wildly optimistic) and from a Company that is far more profitable, even when that profit is ALSO adjusted for inflation.

**Profit Sharing (note the \* from pay rates)**

The structure of profit sharing will change. The current system provides 10% contribution to the PS pool up to \$2.5 billion PTIX\* and 20% over \$2.5 billion. This money is set aside from Company profits, then divided among the employee groups,

of which pilots get roughly a 38% share. Recall that the <\$2.5 billion level was reduced from 15% to 10% in C2012.

Under the C2015 TA, the formula will be adjusted effective 1/1/16 so that the 20% threshold (“trigger”) will not occur until \$6 billion dollars PTIX.

Should the company make \$6 billion PTIX\* or more in 2016, that would lead to a decrease in the 2016 PS payout (which will occur in Feb 2017) equivalent to approximately 5.74% W2.

That would essentially lead to the almost complete self-funding of the 1/1/16 6% raise, although you wouldn’t “notice it” until you got your PS check in February 2017 that would be 1/4 to 1/3 less than in 2016 (for 2015 PS).

*\*Note that the publicly reported **consolidated pre-tax income is less than the associated PTIX from which the PS is derived.** Until C2015, PTIX is essentially equal to the consolidated pre-tax income **plus** the “expense accrued with respect to the profit sharing plan, all asset write downs related to long term assets, gains or losses with respect to extraordinary, one-time or non-recurring events, and **gains or losses with respect to employee equity securities**”.*

So ... why the “\*s” next to PTIX and elsewhere in this section? Under the C2015 TA the definition of PTIX has **CHANGED** and will now exclude from the formula mentioned in the previous paragraph “gains or losses with respect to employee equity securities”. **What this means is that management’s stock plans will now be counted AGAINST the income that goes into the PS pool. There is no cap on how much the management stock plans can reduce PS.** We were briefed that the historical amount of these stock plans, now that will count against the PTIX, shouldn’t amount to more than very approximately 10% of the overall PS payout reduction.

***Comments: We believe that you (the pilot group) have been VERY clear about Profit Sharing. Increase pay WITHOUT touching profit sharing (at least to some minimum level initially). The pay rates, without the PS trade, fell significantly short and we are confident that it did NOT meet the membership’s expectations (nor ours).***

***While some pilots see profit sharing as just another pay parameter to be lumped in with hourly rates, many, including us, believe that PS is OUR “dividend” for the sacrifices made throughout much of the past 15 years, as well as a substitute (although insufficient) for terminated and frozen pensions and cost of living increases.***

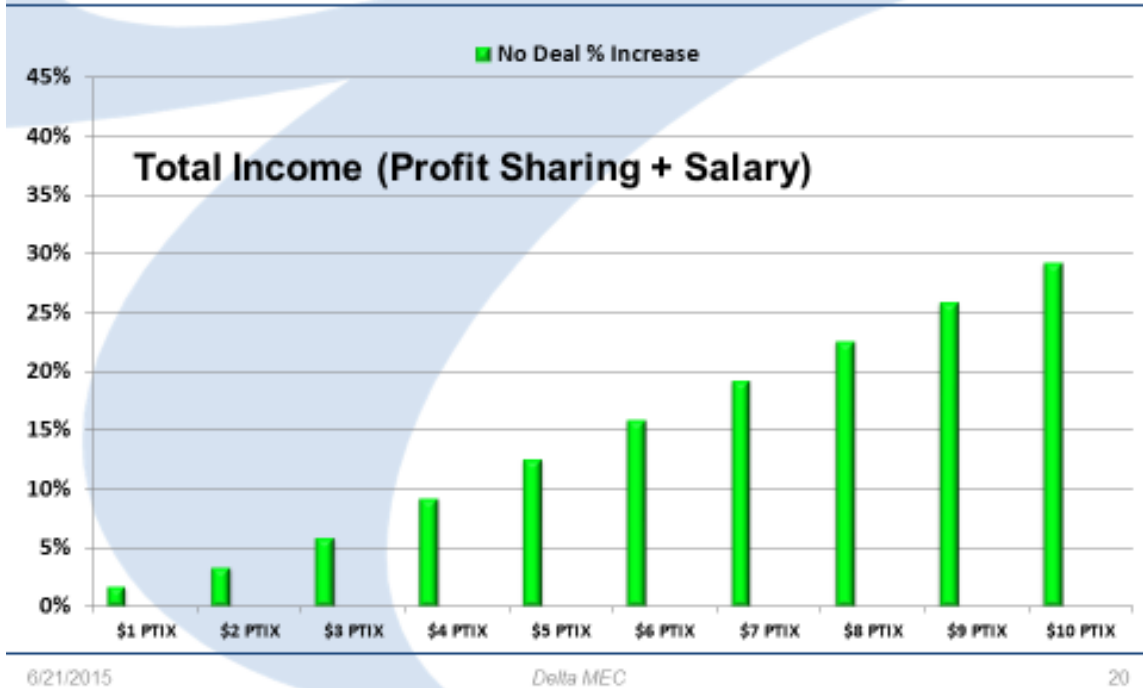
The chart below is from one of the MEC Administration’s presentations. A key talking point about getting a “premium” on the 5.74% PS trade for the 1/1/16 6% pay raise (other than the 0.26% difference itself) is that for PTIX values below \$6B, the value of the trade increases. Our point is that we are likely to all focus on the publicly announced consolidated pre-tax income which has not reached \$6B in any year to date, however, the PTIX associated with the consolidated pre-tax income for



2014 and according to the Co's earlier public estimates for 2015, and consensus analysts beyond that, we are already in the \$6B PTIX range and above.

The chart below correlates estimated W2 as a function of PTIX. (For example, the 2014, W2 payout was approximately 16.4%, which correlates to the vicinity of \$6B PTIX).

Here's another way of looking at it... This is the value added by current PWA Profit Sharing for different levels of PTIX



Estimated W2 vs. PTIX (Billions)

*Note also that the C2015 TA received very little to no “soft dollars” from the company, e.g. Holiday Pay, Night Pay, Door Pay, etc.*

**Per-diem**

Per diem goes up a nickel per hour on DOS and then another nickel on 1/1/16 and 1/1/17.

**DPSP**

The Delta Pilot's Savings Plan (DPSP) will go to a 16% contribution on January 1<sup>st</sup>, 2017.

**“Me Too” Provision: Section 3.B.4**

Section 3.B.4 provides a “me-too” for adjusting the pay rates should other employee groups (30% or more of the U.S. based non-pilot employees) be provided a pay rate

increase. It would trigger a review of 757 composite hourly rates at AMR and United.

Under the C2015 TA, rather than using strictly pay rates, a new metric, the “effective pay rate” will be utilized. The effective pay rate is the composite pay rate, *plus any portion that is contributed by that carrier’s profit sharing plan.*

*AMR does not have a profit sharing plan, and as of yet, United’s plan hasn’t paid significant dividends.* This will tend to “drag down” or dilute the effectiveness of 3.B.4 going forward. Furthermore, there is a “cap” in place in the new TA that will limit the effect of this section should AMR or UAL see a “windfall” in their profit sharing versus Delta.

**In our opinion, this effectively neuters this portion of the PWA.**

### **Vacation**

Vacation pay goes to 3:30\*.

\* Only the current 3:15 will be used for bidding purposes (pay & credit). The balance is “pay only”. As the general idea of vacation is to have time off, providing any increase as “pay only” does nothing to enhance that. These changes will not take effect until the April 2016 – March 2017 vacation year.

A few other vacation related items include:

- Posting of vacation move-up information in iCrew, including available weeks. (This would shine a light on this rather opaque process).
- Vacation bank payout at retirement contributed to the DPSP to the maximum extent possible.
- IVDs (Individual Vacation Days); up to four days of vacation (transferred from already awarded vacation weeks) in no more than two groups to be used as a sort of “paid” APD. The rules are the same for APDs regarding the ability to drop days.

### **Training**

- CQ Training pay goes to 4:00 pay, no credit.
- Incorporate Seniority List Instructor (SLI) sick leave and line guarantee parameters into the PWA.
- Pay after failing check a ride increased to ALV (from 65 hours).
- Minimum pay increased to ALV for pilots in training.
- SLI now needs 60 days’ notice from the Company before they return him to the line (formerly none).
- SLI must now give 90 days’ notice to the Company before he may return to the line (formerly 60)
- LCP/AQFO gets 15% for entire FDP in which he teaches, not just the block time of the leg(s).
- Improved “curriculum day” language after training failure; LOE or MV rechecks not counted as curriculum days.

- Establish a “warm up” simulator module if a >6 day break in training occurs.
- Incorporation of automated runtime testing into PWA.

### Other “Pay/Credit” Items

- One-hour pay and credit for a pilot not used on short call. This hour is treated just like a trip relative to the guarantee.
- Two hours’ pay, no credit, for any requirement to come in to the CPO or to ATL on a day off (excluding probationary pilots). Probably a worthwhile improvement if you have to visit the CPO for “sick leave” issues, which leads us to....

### Sick Leave

It’s hard to know even where to begin on the changes to Section 14 of the PWA, which covers sick leave. This section is a veritable sea of asterisks. Draconian, overreaching, onerous, concessionary...these are all words that spring to mind, but let’s get started:

- Number of hours of sick leave remains the same.\*
- Disability Bank will be implemented\*

Notice both these items carry BIG asterisks. They are:

- \* The use of sick leave will entail a significant **ADDITIONAL verification** metric to the current verification threshold of sick events extending to **15 calendar days or more**. A new threshold of sick leave for **15 work days or more in a rolling 365 day period** will be incorporated. Exceeding EITHER threshold will require verification.
- \* This **REPLACES** the 100 hours of unverified sick leave. Using the ADG as a basis, 14 work days (no verification required) equates to 73.5 hours for regular pilots, and as low as 56 hours for reserves. A work day includes a day of a rotation, an on-call day, a training day, etc.
- \*If you have **24 or more work days missed in a rolling 365 day period, or 56 or more days in a rolling 1095 day period (36 months)**, you will be required to **obtain a “medical release”** from your doctor to the DHS for your medical records specific to the triggering event(s).
- \***All verifications must now be submitted 21 days from the BEGINNING of the sick event.** Verifications must include an expected “return-to-work” estimate. This short timeline could certainly be extra problematic if a sick event unexpectedly progressed into either a verification or release requirement near or after the 21 calendar day from the beginning of the event submission requirement.
- Extensions to the submission deadline can be granted by “the Company”. *We’re not clear at this point who “the Company” will be when considering the granting of these types of exceptions.*
- \* All verifications and medical releases (see below) will go to the Director of Health Services (DHS), who will be an Aviation Medical Examiner (as outlined in a change to the PWA). In general, AMEs have certain FAA

- reporting requirements as outlined by the Aviation Medical Examiner's Handbook. *While we were briefed that the Co AME would not necessarily have a reporting requirement to the FAA it was unclear what responsibilities they would have exactly relative to their AME status. (Note that "ALPA Aeromedical" / AMAS has doctors that are not AMEs to avoid the conflicts that could occur with reporting requirements).*
- \*The medical release, in theory, is limited to the specific ailment during the days of the sick leave. In reality, many medical records contain extensive information about prior medical history.
  - \* If the Director of Health Services can't "assess the medical basis" for your sick leave, he may "expand his team" by including a Company Designated Doctor AND the Senior Vice-President of Flight Operations.
  - \* Withholding of pay and CPO intervention for non-verification is now in the PWA, versus "past practice".
  - \* "Call in well" has been eliminated. You must call in sick for every trip. If you do call in well, then fail to rejoin a rotation or pick up flying, all of the rotation will be considered missed for verification/release thresholds.
  - \*If you attempt to verify your sick leave, and the DHS can't "assess the medical basis" for your sick leave, you may ALSO have to execute a medical release.
  - \***Voluntary verification has been eliminated.** The only way to "redeem" work days is to call in well, then pick up flying over the original rotation's "footprint".
  - \***Any sick period will count as if you flew the trip for "virtual" FAR purposes.** IF you call in sick for a 4 day trip, get well on day 4, and then attempt to pick up flying (WS, GS, etc.) "Virtual" FAR calculations will be performed as if you flew the rotation. If there would've been an FAR conflict you'll go to the bottom of the list (for the specific coverage step) in category when trying to pick up a WS or GS.
  - **No more "other proof of illness"** and no reimbursement for the cost of a doctor's certificate, unless required under the existing "good faith basis" language. *It's now official, we've provided the tools to harass us when we're sick at our own expense.*
  - **"QHCP (Qualified Health Care Professional)...Bona fide patient relationship"** (14.A.1) per the negotiators' briefing in open session, QHCPs cannot be your spouse or family member, (and we had been previously briefed that it couldn't be friends or neighbors either). *Clearly a moving target since "bona fide" is not defined.* We were further briefed that you'd need to have filled out the QHCP's medical release paperwork also to qualify as having a "bona fide patient relationship".
  - This new **sick leave program** will, if the TA is ratified, be **RETROACTIVE to the beginning of the sick leave year, June 1<sup>st</sup>, 2015** once it is implemented. *Actual implementation of the new verification / medical release policy won't occur for few months after the agreement is ratified due to technology, programming, and automation issues.*
  - Reaching Temporary Disability resets all verification / medical release events in a rolling 12 months.

- An event of 21 or more calendar days (prior to reaching temporary disability) where surgery, hospitalization, a broken bone preventing the exercising of your 1<sup>st</sup> class medical, or something else that you can convince the DHS that it should qualify as a significant medical event will remove those sick days from the verification / release tabulation requirements.
- *Note: The MEC was told, on multiple occasions, including in open session during the June 9-11 special meeting, that this new sick policy would be retroactively applied at implementation, looking back 12 to 36 months specific to the verification and medical release requirements. We were told that the Company was not willing to start at zero. However, on 6/13 the MEC was informed (as mentioned above) that the Company decided that it would only be retroactive back to the beginning of the current sick year (June 1, 2015). A very good strategy on the Company's part, since the originally stated retroactivity plans were having the effect of pushing undecided voters away from supporting the TA.*

So, what did we get for giving up all of that? **Well, a “Disability Bank” will be implemented\*.**

- \*Your balance will start at zero, and will be filled up with ½ of your remaining sick leave hours UNDER 80 each sick year.
- \*If you only use 40 hours of sick leave (out of 240/270 or your particular annual accrual), you will bank 20 hours. If you use zero sick leave, you would bank 40 hours. If you use 80 hours or more, you bank zero.
- \*This “additional disability benefit” will be applied only while on Long Term Disability, AFTER your DMPA benefit (for the particular medical event or overall) is exhausted.
- \*Time withdrawn from your bank will only apply a 50% “top up” benefit to the already existing “50%” Long Term Disability benefit, but your bank will be charged for the full month anyway. For instance, if you have 80 hours in your disability bank, you will be debited 80 hours, but only paid 40 extra hours.
- Looking at it a little differently, the Company is charging us for the use of the Disability Plan that covers the first approximately 50% of pay while out on disability; something we would get anyway even without having saved anything in the disability bank.
- \*In essence, for every sick leave hour you “save”, you will only see a net benefit of 1/4 hour, and only after your DMPA benefit has been exhausted.

*Comments: In the wake of the Germanwings accident, the FAA has formed an Aviation Rulemaking Committee (or ARC, similar to one that “designed” FAR 117) that will examine pilot “fitness for duty”, not only from a mental health standpoint, but for all fitness for duty requirements.*

*We believe that giving the Company such broad ability to investigate a pilot's health history is a bad industrial precedent, considering the results from the ARC may have an even greater impact. This would be similar to conceding a whole number of scheduling rules in anticipation of FAR 117, without knowing what was contained in*

*the rule. What you might wind up with is the concessions you gave AND whatever further rules the FAA wishes to hand down. A far more prudent approach would be to wait to see what the "Fitness ARC" has in store.*

### **Scheduling & Hours of Service**

By far the largest impact on quality of life comes from changes in the scheduling section.

### **Withholding up to 75% of Designated LCA Trips from FO Bidding during PBS Awards.**

Section 23.D.7 now includes parameters to pull LCA rotations from the bid pool once 25% of the designated LCA rotations have been awarded during the normal PBS process.

Under this modified section, the Company will designate rotations needed for training and awarded to Line Check Airmen (LCAs). After 25% of these rotations have been awarded during the FO PBS run, the Company will withhold awarding the balance of the rotations. Those trips will be unavailable to the FO trip pool and will not be awarded in the course of bidding.

This will have the effect of shrinking the pool of available rotations. The effects of the smaller trip pool will cascade through the entirety of the category. Since the "OE holdback" will not affect staffing, this will increase the number of reserves in the category (forcing some regular pilots to reserve), of course with the subsequent reduction in extra flying opportunities (GSs, WSS, etc.).

*Note that the trips held back for OE will follow the LCAs not the students and that LCAs perform OE for pilots from bases other than where the LCAs are based.*

*While this is being explained as only affecting a small percentage of pilots, we believe the impact will be greater than expected and presented. It also affects an even larger number overall since this is a seniority based benefit that could eventually benefit more pilots as they accrue more seniority. It could also have an effect on Captain seniority in some category, since now some senior FOs could choose to move to Capt. sooner with the loss of this benefit.*

### **Reserves Required Formula Reworked**

Based on the new formula, there will reportedly be a more refined determination of reserves required. Complicated formula. The key to whether this is a good or bad thing will depend upon the implementation and application of the new language.

### **Increase the Targeted Line Value (TLV) to 81 hours (+1 hour) on a test basis**

The TLV, which serves as a "rolling ALV average" will be increased, on a test basis, to 81 hours (up from 80).

In exchange for this we "got":

## **Increased Rotation Construction Committee influence over trip quality\***

\* There are limitations in this language but in general increased trip quality is the goal. Raising the TLV will, in theory, give the RCC “headroom” to increase the credit hours in a category 10-15%, permitting rotations to be tweaked to “improve trip quality”. While increased trip quality is a worthy goal, the net result is that pilots will be working more. Beware, “Trip quality” is not defined.

The good news is that this would be a “test program” and can be terminated. The bad news is if terminated, the Company has 6 months to return the TLV to 80 hours or below.

### **A few good items scheduling related:**

- 1 for 1½ duty credit on the backside of clock (up from 1 for 1.75).
- Premium pay for duty period added to an asterisk rotation.
- Premium pay for reserve assignment into more than one regular line day off. (Hopefully fixes some reserve line to regular line transition issues).
- Time limitation (reroute pay trigger) reduced to four hours after the original release (25 hours if last duty period contains an ocean crossing).
- Mechanical on a pilot’s aircraft is no longer considered “out of the Company’s control”, thus preventing reroute pay.
- Reroutes limited to one additional day, rather than duty period.
- No availability requirement during the first two hours of short call. Sometimes formerly referred to as the “commuter provision.” (Not limited to just the first on-call day).
- Added out of base green slip with conflict to long-notice trip coverage ladder.
- Company must notify if ACARS times are changed.
- Cover trips with reports between 0000-0400 two days prior.
- MAC charters starting with DH to be awarded 3 days prior
- FRMS Category Short Call; a SC on the first day of a group of reserve days can be assigned on the last day of the previous group prior to off days.

And a bad item:

- Rest after canceled FRMS FPD reduced to 10 hours (presently 13).

### **Insurance/Disability**

#### **Disability Benefits for Mental Illness Increased to match other illnesses.**

Maximum coverage limits (time) for disability benefits due to psychiatric conditions other than alcoholism or drug dependency are lifted (but could be pulled down if too many use the benefit).

#### **DPMP medical without the DPMP dental allowed.**

#### **Disability offset for earned income stops after 36 months on disability.**

#### **Individuals can now only be covered as dependents by one Delta employee.**

## **Agreement to consult on any luxury tax implications to the DPMP.**

### **FAA Leave**

Paid time off if the FAA is holding up a pilot's medical for administrative reasons; this paid time off does not count as sick time, nor towards the verification requirements. This leave would cover pilots who have been approved to return to work by their AME, but are awaiting final approval and/or delivery of paperwork from the FAA.

### **Filling of Vacancies**

#### **Virtual Base Test \***

This will be a program where the company can set up "micro-bases", presumably in locations with a large number of overnighting crews. Unlike a similar program for Flight Attendants, these Pilot Virtual Bases will contain all the staffing of a regular base, just smaller. This will be a test program and may be terminated. There will be a number of restrictions, including:

- Limited to six consecutive bid periods & be inside the 48 contiguous US.
- No rotation can begin with "ocean crossing segments" nor can rotations include "ocean crossing segments" from any crew base, presumably to prevent "poaching the good flying". This wouldn't prevent virtual bases from flying ocean crossing segments from non-crew bases.
- Any pilots bidding into a virtual base must ALREADY be current and qualified in the "virtual categories".
- Pilots will get free parking, and ONE positive space pass to/from the base at the beginning/end of each bid period.
- Pilots will retain council affiliation with their "regular" domicile.

\* To meet the needs of high frequency outstations, such as MCO, BOS, LAS and others, the company has to overnight a LOT of crews in addition to significant deadheading and "staging" of crews. With a reduced need to DH those pilots (which presumably is a key goal of virtual basing), the number of pilots needed would be reduced. Additionally, the flying from virtual bases WILL take flying from some other bases; it is intended that the successful bidders into the virtual base will "bring" flying with them from their permanent base.

Other changes in Filling of Vacancies include:

- AE with 365-day conversion window only allowed if the bid contains displacements.
- Pilots with AE/VD awards resulting in training with fewer than 12 curriculum days will have a 12-month category freeze; previously 24 months. 7ER-765 will remain a 9-month freeze.
- New hires now have 24-month category freeze with some exceptions; previously 12 months.\*

\* It should be noted that C2012 introduced a 12 month freeze for new hires. There was no freeze prior to C2012. The exception involves moving to a base



that does not have the aircraft you are currently flying. If you use the exception, the remainder of the new hire freeze is carried over to the new category.

### **Deadhead & Expenses**

- Int'l per diem for training outside 48 states
- Ground DH value doubled from \$12.50 to \$25 total\*.
  - \* Still not linked to actual travel time.
- 30-minute decrease in trigger for crew meals to 5:00 block time.
- 50% reimbursement for NYC-based pilot travel on short-call assignment.\*
  - \* Currently if a pilot is called out on short call and is needed for a departure in the next couple of hours, the pilot can tell the scheduler that they could get there a lot quicker if a cab is approved.
  - \*It is our understanding from the NYC reps that Scheduling usually authorizes this practice (similar to short term parking at other bases), so this may actually be worse than the current practice.

**Items from ALPA's Opener that are NOT included in the TA.** (This list doesn't include items where, improvements were made, no matter how small).

- More comprehensive language about how future JVs would be handled.
- SEA is still not a "hub".
- "Door" Pay.
- Ground Pay.
- International Pay increase.
- Holiday Pay.
- Night Pay.
- MED ("Malaria Endemic Destination") Pay.
- Pay Guarantee for pilots removed for fatigue.
- Hotels, per diem, Positive Space Travel for Seniority List Instructors.
- Hotels for New Hires; commitment deferred to 1/1/16.
- Higher minimum number (or percentage) of weeks in each vacation month and require that allocation to be fixed throughout the year.
- Improved DH seat provisions.
- DH pay to/from training.
- Increased restrictions for the use of Non-Seniority List Instructors.
- Improve Reserve X day provisions.
- Improve Maximum Contractual Duty Day.
- Improve ADG.
- Improve Death in Immediate Family provisions.
- Improve APD provisions.
- Establish Next Day Swaps.
- Establish Jetway Trades.
- Develop method to address scheduling issues related to long rotations.
- Provide limited positive space travel benefits.
- Reduce active and Retiree medical premiums.
- Establish a Retiree Medical Account for use to cover retiree health costs.

- Incorporate HSA or HRA into the PWA.
- Various other more specific items related to these areas.

## WHAT HAPPENS IF THE TA FAILS RATIFICATION?

While no one can say what will happen with absolute certainty, we are confident that the **choice about this TA isn't a binary one; it's NOT only about either taking the early deal at a discount or waiting** [*enter ridiculous scary number here*] years being "parked" by the NMB and ending up with a **Presidential Emergency Board (PEB)** as threatened recently at an MEC roadshow.

**Here's some considerations should the MEMRAT fail:**

- The MEC would have some decisions to make about how to move forward. Those could either occur at a special meeting shortly after the results were known or at the regularly scheduled MEC meeting in August.
- The Company would have to evaluate whether they choose to engage in the near(er) term with those whom they are familiar with from ALPA or later, potentially with others (also from ALPA) whom they are not.
- Obviously including several possible options for the MEC to consider in an update wouldn't probably be a good idea in any level of detail at this point.
- The points to focus on are the reasons why the Company would want a deal and why they may not be interested in just "doing nothing" for "three" years.
  - **They are not offering a contract just because they "like us".**
  - **They need their staffing problems addressed.**
  - As stated publicly numerous times to various audiences, **they do not like the current sick leave policy** and they believe that the modifications proposed would also help their staffing issues.
  - Just like in 2012, they **want to be able to trade inefficient 50-seat RJs** (some that they may not be even using) **for larger 70/76-seat RJs**. They **need SCOPE modifications** for that.
  - **They want to reduce profit sharing.** If they fail to accomplish a reduction prior to another potential successful organizing vote in one of the other employee groups, it may become more difficult even if we ultimately agreed to a reduction.
  - **They will be out of compliance relative to the Trans-Atlantic JV (AF/KLM/AZ) with the current EASK production balance** basis every year now and the grievance settlement only settles the issue through next March (2016).
  - **Section 3.B.4 (the "me too" clause) will come into effect every time that they choose to give the other employee groups a raise.** We will see the lesser of the other employees' raise or the 3% that American and UAL are scheduled to increase annually over the next two years (now that we are "synched" with them from this year's 0.55% raise). Of course management could choose not to give the other employees raises just to avoid giving us one, but that comes with risks in how the other employee groups would respond to that

treatment, especially now that they know how much of a PS reduction we had tentatively agreed to.

- Though the talking points that are coming from the Company and the MEC office seem to state that they wouldn't talk to ALPA for a long time, the Railway Labor Act and the NMB would still require that both parties continue to negotiate "in good faith"; *especially since we haven't reached the amendable date of the current agreement*. Of course we could do that and still agree to nothing, but we're confident that the management has the integrity to do more than simply going through the motions.
- Of course, management could just fold their arms to "teach us a lesson", but our management is too smart and capable to allow vindictiveness to impede good business decisions.
- **E190s and more 737-900ERs.**
  - Managements in general will buy whatever equipment they need to operate the business.
  - Airline managements do not buy airplanes for the pilots' benefit.
  - We should not have allowed ourselves to believe that we had to/have to "buy" airplanes that the Company must have a business rationale to operate anyway.
  - There's nothing in the PWA stopping them from buying and staffing these aircraft.
  - The current PWA's low E190 rates will just likely cause different pilots to bid the positions.
  - Certainly the additional 737-900ERs are replacement aircraft, likely for higher paying aircraft, anyway. The E190s may be growth to help with the small jet service issues discussed earlier or they could also end up, at least partially, being replacement aircraft for higher paying mainline aircraft.
- **We are NOT:**
  - struggling for our very survival
  - suffering from the effects of an LBO
  - recovering from a strike
  - suffering from bad management
  - in the shadow of a national catastrophe
  - trying to avoid bankruptcy
  - trying to avoid bankruptcy again
  - trying to get through and emerge from bankruptcy
  - bogged down with merger or post-merger issues
  - working for a company making minimal or no profits
- We are in a period of some stability which is likely the best industry environment most of us have experienced in our careers.
- Most of us are in a position that we don't have to accept an early deal at a discount with an insufficient net pay raise and contractual valuation increase.

- If we're not willing to make the most of the record industry environment now, then it's difficult to imagine another situation where we'll ever be able to fully realize and act on future opportunities.
- "Proactive engagement" and our "relationship" is supposed to pay us dividends in the long run. There are certainly many examples where it has been mutually beneficial in the several years since the merger (and before).
- What we have been offered during these best of industry times may be an indicator of how much (or how little) we are now truly valued and how much we are willing to accept that valuation. What risk does offering and accepting such an indicator pose for the future?

**Voting.** The electronic MEMRAT process will open on Wednesday, June 24<sup>th</sup> and close on Friday, July 10<sup>th</sup>. The associated times are usually 1000 ET, but please be certain to check for the actual times.

**C20 LEC Meeting.** June 29<sup>th</sup>, DTW Westin Hotel, upstairs. 12-3PM. Valet parking \$5.

**Contact Reminder.** Please be persistent when contacting us during high demand times like now. If you don't get a response in a reasonable time via one communication medium, please try another (phone, text, email). As usual we'll prioritize any representational issues (safety, discipline, etc.) ahead of TA issues, questions, and input.

**Lastly.** Please stay informed. We encourage you to attend local council meetings, road shows, visit us in the lounge, read local updates and updates from other councils, plus the myriad of information flowing from the MEC.

The pilot lounges will be staffed with P2P and DPN volunteers to answer questions. They work for the MEC Administration and are hardworking volunteers. Their jobs are to answer questions and get the Administration's message out, which may at times seem like they have a particular point of view. Please try to understand their perspective if you interact with them; they are just doing their jobs. The LEC reps will also be in the lounges some of the time. One or more of us (the C20 reps) plan on being in the DTW crew lounge June 24<sup>th</sup> – July 9<sup>th</sup>.

***Along those lines, the LEC reps were just notified from the Administration that we are not welcome to come along to AMS or NRT for the roadshows, so the only perspectives available there will be the Admin presenters.***

If you have any questions, get the right answers, don't settle for someone's opinion or the most aggressive presentation of "the facts". A **fully** informed vote is an educated vote.

Thanks very much for your patience, engagement and participation.

Fraternally,  
Bill, Rich, and Tom.