



June 18, 2015

Chairman's Update

Pilots of Council 1:

After a large amount of feedback, we have attempted to get as much information out to you as quickly as possible. While writing this over the last two weeks, there have been many specifics and issues that have been difficult to verify, which has delayed this update. The feedback we have received indicates that a large amount of information from the DALPA administration via PowerPoints, slides, P2P social media responses, and road shows seem to be perceived as only highlighting the positive aspects of this tentative agreement (TA).

It is important you understand the not-so-positive aspects as well; we each must look at this TA as though anything we agree to will be in this PWA forever. Then ask yourself is there anything in it that will cause harm to a single pilot if we allow it?

Before we begin to dissect the TA, we would like to clarify some rumors, comments, and communications from the MEC chairman and Negotiating Committee. We have heard from pilots that the negotiators are laying the blame of the TA on the MEC. Yes, we provide direction to the Negotiating Committee and, yes, we hold the ultimate power of accepting or rejecting the TA. That said, 100 percent of the information, data, and analysis that we use to base those decisions upon comes from the negotiators, the MEC chairman, and the Strategic Planning chairman. To believe that they have no opinions and that those opinions are not strongly reflected both in their recommendations but also in their data analysis and presentation would be naïve. In the end, both the direction we gave and the ultimate decision to send this TA to you for membership ratification (MEMRAT) were the results of a tremendous amount of urging and pressure from those parties.

This TA was not approved by the MEC, or even sent to you with a recommendation. Rather, a resolution was passed 11-8 to put the burden of voting this up or down squarely on the shoulders of the pilots. The MEC as a whole was that uncomfortable with the TA.

In the most recent letter from our MEC chairman, he pledges “No sales job.” I thank him for that pledge, but find it odd that he doesn’t include your reps as a source to “get your questions answered.” Instead, he steers you to a P2P volunteer for answers. While I am quite sure our hardworking P2P volunteers will give you an answer, I am not positive it will contain all of the information you seek. The P2P volunteers have only had limited briefings and have not been present for anything more than a fraction of the process, and *not* involved in executive or closed meetings where much of our work took place.

Even more interesting is that your CA and F/O rep asked three prior ALPA volunteers in Council 1 to be P2P volunteers. All three of them have extensive knowledge of the current process and the TA, and are well respected amongst Council 1 pilots. All three actively participated in a vast majority of the process. Even though we asked for them, and all three have agreed to serve, the administration has refused to permit them to participate at any level. If the administration wanted a truly factual presentation without spin, deflection, or a sales job, why would they care who answers *your* questions as a P2P volunteer for *your* council? That aside, since this burden to vote has been unduly laid upon your shoulders, we ask that each and every one of you ask questions and get the facts!

Section 1: Scope

Good

- Improvement in “control” and “foreign base” and “foreign partner” language
- Nine prorated RJs no longer allowed
- All current pilots now covered by furlough-mitigation language
- Stronger requirement for DCI to hire furloughed pilots

Bad

- Deletion of flight length and route restrictions on DCI—removes one advantage to having mainline fly 76-seaters. This also allows the DCI to fly hub to hub. This could make it more difficult for commuting pilots, e.g., MSP-ATL.
- New production balance for AF/KL/AZ now 50% on a block-hour basis. This lowered the amount of required Delta flying and gave the company a 2-5% BH.
- The measurement is changed from EASKs to block hour, which primarily benefits the company by converting to a 50% share metric that the company is already above rather than the current 50-50 EASK (equivalent available seat kilometers) metric that they have been below for this past four years
- The one-year measurement period is *not* structured to our advantage, as it allows the Company to be in compliance every other year with no penalty. Basically this language allows the Company to maintain the current level of flying, which is in violation of the current language and gives them a 2.5% buffer. The Company was never in compliance with the original language and all we did was reduce the level to where they are at now. A concession.

UGLY

- Additional 70-/76-seat jets. This clearly goes against what the pilots have said they wanted. What this language does is reduce the number of 50-seat RJs, while increasing the number of allowed 70-/76-seat RJs. I would suggest that the reduction of 50-seat RJs has nothing to do with PWA language (they can do this now and probably would), but rather economics. The 50-seat RJ business model is clearly no longer viable. This language will allow the company to receive “credit” for making a sound business decision, while reducing one of the incentives to ever allowing mainline pilots to fly the 76-seat RJ. These changes are similar in structure and intent to C2012.

Unknown

This company says that they will add 20 E190s if the TA is ratified. The 190 has more range than the M-88 and more lift than the DC-9-30. The argument is that this is a regional jet flying on the Delta mainline, which is great, but warrants oversight as it is not clear if this will be new flying or replacement flying. Will Delta park MD-88s once these aircraft arrive? Are we substituting a lower-paying aircraft for a higher-paying aircraft? The latest announcement of more 737s (most certainly replacement aircraft) during a MEMRAT vote brings back memories of the similar situation with the 717 in Contract 2012. Are we actually seeing growth or the shell game of rearranging the deck chairs with shiny new airplanes that again may be substituting lower-paying aircraft for higher-paying aircraft?

Section 3: Compensation

8% on 7/1/2015

6% on 1/1/2016

3% on 1/1/2017

3% on 1/1/2018

Good

- 8% increase in pay rates six months early
- A350 rate equal to 777 pay
- E190 pay tables increased to E195 pay rates
- Per diem increases of \$0.05/hr. on 7/1/15, 1/1/16, and again on 1/1/17

Bad

- A339 equal to A333/A332 pay
- A321 split from A320, A321 rate equal to 737-900; even though the 757 is a more direct comparison.
- “Me too” clause weakened by now including profit sharing in comparison—we have more PS than UAL, and AA has none. Now it will be virtually impossible to achieve any mid-contract pay rate increase similar to what we had this year because of the change. Our profit sharing (reduced) will be included in any pay rate comparison.
- Overall increase in rates just breaks even with AA

UGLY

- The overall pay rate increases are indicative of the gap between expectations and results. 6% on 1/1/16 utilizes 5.74 of PS (at \$6B PTIX- which is greater than pretax income). Without the profit-sharing conversion, we would not exceed AMR pay rates for the term of the agreement.
- Profit sharing, again, is clearly against anecdotal and empirical pilot direction. It was very clear that pilots did not want to adjust the profit-sharing formula to fund a raise.
 - The 20% trigger has been raised from \$2.5 billion to \$6 billion PTIX (not the same as pretax income)
 - Profits \$0-6 billion now paid at 10%
 - Profits above \$6 billion paid at 20%
 - Fixed in form of hourly rates

- Changed PTIX definition—pretax income to adjust for:
 - Above \$6 billion reduce cash payout to all employees by \$396 million
 - Pilot portion \$152.1 million based on pilot payout in 2015
 - PTIX now includes gains and losses with respect to employee equity securities which *had not been included before*. Managements securities (stock options and grants etc.) will be taken out of the pretax income before the profit sharing is calculated which further reduces the share of the profit-sharing pie.
 - The computational changes to profit sharing will be effective 1/1/16. The first payout where the employees will notice a profit-sharing reduction will be in February 2017 (for 2016's profit sharing).
 - Because the actual reduced payout won't occur until after the 1/1/17 raise, the spin on this is that “pilots won't see a profit-sharing reduction until their pay rates approximate the high point of 2004” (not inflation adjusted of course). 17.9 % increase from now (including the profit-sharing trade).
- Received very little to no soft dollars from company, e.g., per diem, CQ, vacation, health-care premiums.

A pay rate of 8,6,3,3 may have been acceptable, but these rates are after profit-sharing conversions. This was highly debated as many feel we are merely funding our raise to industry standard by utilizing our profit sharing. Your Council 1 reps (CA & F/O), along with a number of other reps, argued strongly for “clean” pay raises but were unsuccessful. During Contract 2012, many reps were disappointed about the theory of taking money from the left pocket and putting it in the right. Do not be surprised to hear the new sales pitch at a road show near you, “you have a whole lot of money in one pocket with a hole in it. You are trying to move the money to the other pocket before it runs out. The size of the hole is profitability.” Your CA & F/O reps had a problem with funding our raises and adjusting other aspects of the profit-sharing plan and again *ignoring* the direction of the pilots. This also triggers a reduction for all other employee groups on the property. How much will this reduction in profit sharing for all employees save the company?

Section 4: Minimum Pay and Credit Guarantees

Good

- One-hour pay against guarantee for pilot not used on short call; it's a good first step in reducing unnecessary short calls. It is important to understand, however, that this will hardly ever come into play.
- This one hour only counts toward the reserve guarantee.
- If a pilot is not being used on short call, the chances of flying over the guarantee are pretty slim.
- This will likely not affect the Company in any way when assigning short call.

Unknown

- Two hours' pay, no credit for having to come in to the CPO or to ATL on a day off. This could be a double-edged sword. Past experience has been if the CPO

wanted a pilot to come in, and that pilot could not come in on a day off, the CPO would buy the pilot's trip or, at least part of it, to have the meeting, or wait until the pilot was scheduled to be on duty and have the meeting prior or after the assignment. With the new language it is anyone's guess how this will be interpreted.

Section 5: Lodging and Expenses

Good

- Int'l per diem for training outside 48 states
- 30-minute decrease in trigger for crew meals
- 50% reimbursement for NYC-based pilot travel on short-call assignment.
 - This could also have unintended consequences. Right now, 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 that Scheduling usually authorizes this (similar to short term parking at other bases). Now, why would a scheduler ever authorize that when it clearly states in the PWA 50% up to \$50.
- Hotel for ATL-based pilot undergoing recency (living > 50 miles from the training center)

Bad

- Minor increase in per diem. We have already been asked, why bother? A nickel increase in per diem?

Section 7 Vacations

Good

- Vacation pay increased to 3:30 but value remains at 3:15 for bidding in PBS
- Posting of vacation move-ups
- Vacation bank payout at retirement contributed to the DPSP to the maximum extent possible.
- IVDs—a pilot can take up to four days of vacation 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.

Bad

- Vacation credit is not increased. Do pilots want more time off with vacation? This language will not give a pilot any additional time off with vacation, since there is no credit increase associated. In fact, there is a good chance that a pilot will work more with vacation under this TA, since the TLV has been increased.

Section 8: Deadhead

Good

- 2x increase in surface DH pay. A little hesitant adding this to the “Good” section, because it seems totally inadequate. Why is surface DH paid any differently than regular DH? This only affects pilots who travel from one

airport to another in the same duty period. This will not affect pilots who land in one airport and drive to another for a departure the next day.

- No more loss of per diem when deviating from DH: paid with front- and back-end deviations.

Section 11: Training

Good

- CQ and other misc. training pay increased by 15 minutes 3:45 to 4:00/day
- Pay after failing a check 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)
- LCP/AQFO gets 15% for entire FDP in which he teaches, not just the block time of the leg(s)
- Improved SLI sick and cancellation provisions
- Improved "curriculum day" language after training failure: LOE or MV rechecks not counted as curriculum day.

Bad

- SLI must now give 90 days' notice to the Company before he may return to the line (formerly 60)
- No Ab-Initio language

Unknown

- Incorporation of automated runtime testing into PWA

Section 12: Hours of Service

Good

- 1 for 1½ duty credit on backside of clock (up from 1 for 1.75)

Bad

- Rest after canceled FRMS FPD reduced to 10 hours

Section 13: Leaves of Absence

Good

- FAA leave—fills in a crack in sick leave and disability by giving a pilot paid time off if the FAA is holding up his medical for administrative reasons; this paid time off does not count as sick leave.

Section 14: Sick Leave

Good

- Expanded list of health-care providers that can provide verification
- Notable exceptions to verification and medical release thresholds

Bad

- More specifics required from QHCP certificate than previous doctor's certificate
- Can't get QHCP certificate online or from other remote source. Many pilots use NowClinic to talk to a doctor about minor issues such as a head cold. NowClinic provides prescription medication and gives pilots notes to explain their illness. While this is a Delta-sponsored company that other employees may use, Delta is now prohibiting pilots from using this service for any type of verification.
- First 14 days, *no* voluntary verification allowed
- Verification threshold reduced from 100 hours to 15 work days (60ish hours for reserves and 80ish for regular pilot) and measured over rolling 365 and 1,095 days (36 months) than by sick-leave year. Clearly a reduction in the amount of sick leave a pilot may use before the jumping through hoops begins.
- A pilot will be required to keep track of days in a one-year and three-year look-back.
- Initially the MEC was told on multiple occasions, including in open session last week, that this new policy would be retroactively applied at implementation, looking back 12-36 months depending on the specific verification and medical release requirements. We were told that the Company was not willing to start at zero. However, last weekend the MEC was informed 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 original retroactivity was having the affect of pushing even moderate voters over toward a "no" vote on the TA. Actual implementation of the new verification/medical release will not occur until a few months until the agreement is ratified due to technology, programming, and automation issues.**
- A pilot will not be allowed to verify any illness to extend the verification triggers. You will only be allowed/required to verify the illness when you hit that trigger. This is worrisome, if you consider that a pilot might have a severe illness during the first 14 days and the gets a head cold on day 15; this basically comes down to timing. The pilot will then need to see a health-care provider to verify the head cold.
- No more "other proof of illness" and no more reimbursement for the cost of a doctor's certificate, unless required under the existing "good-faith basis" language.
- Qualified Health Care Professionals (QHCPs) also cannot be friends, family members, neighbors, etc.
- Contractual loss of pay if required verification is not provided within 21 days of the beginning of the qualifying event, or later if granted an extension by "the Company."

UGLY

- Medical releases will now be required if you hit the one-year or three-year look-back triggers (24+ days in a rolling 12 months and 56+ days in a rolling 36 months)
- A look-back will occur on your used sick time after process gets implemented (some time period 3-6 months); this was recently changed to look back to **June 1, 2015**, so you may get punished for something that was not in effect when sick before agreement went into effect. You could potentially fall immediately

into the Medical Release Plan based on your current and past sick usage. *A term ex post facto law definition comes to mind. A law that makes illegal an act that was legal when committed, increases the penalties for an infraction after it has been committed, or changes the rules of evidence to make conviction easier.*

- Sick changes could very well prematurely pull Delta pilots from the cockpit if they develop a medical situation before AMAS (ALPA Aeromedical) can help them thanks to the medical records going to DHS (Director of Health Services), who is (contractually now) an AME with a duty to report to the FAA. Although it is unclear what his reporting obligations really are based upon the briefing that the MEC received on the issues.
- Your chief pilots are taken out of this process entirely, although they will likely be the “enforcers” relative to the new verification and medical release submission timelines

Unknown

- An FAA ARC (Aviation Rulemaking Committee) is being considered as a result of the Germanwings incident. We may be entering a realm of nuisance issues that could be more troubling for pilots as well as affecting the PWA in the future.

This “sick” section is the second-worst part of the TA. This was one of the company’s main issues going into negotiations; they made it clear that this was a really big issue to them and “there would be no deal if sick usage wasn’t addressed, and betting this will change pilot behavior.” The Negotiating Committee explained in open session about the necessity to change the sick policy to affect pilots’ behavior. There is nothing good about the sick changes; the current rules were only made more onerous.

Granted, you can have a RN write a note for you now, but allowing the Company to require a medical release and access to your medical records on a regular basis after a certain number of “work days missed” seems heinous. Those records will go to the DHS as mentioned previously, who is now contractually an aviation medical examiner designated by the Company to receive and review verification of sickness under Section 14 F. and to conduct a medical review of a pilot under Section 15 B. It is our understanding a new medical department will be organized. It is unclear who Delta will hire to administer the sick leave for pilots. Will this be a company that is clearly in the business of reducing sick leave, similar to the company hired out to administer the flight attendants’ policy? **This is a slippery slope that seems deeply disrespectful to the pilot group.**

Section 19: System Board of Adjustment

Good

- Five-man board hearings to be scheduled within 60 days of request

Section 22: Filling of Vacancies

Good

- Bid with 365-day conversion window only allowed if bid contains displacements
- Pilots with AE/VD awards resulting in training with fewer than 12 curriculum days have only 12-month category freeze (previously 24 months). (ER-765 remains a 9-month freeze.)

Bad

- New hires now have 24-month category freeze with some exceptions (previously 12 months).

Section 23: Scheduling

Good

- Premium pay for duty period added to an asterisk rotation
- Premium pay for reserve assignment into more than one regular line day off
- Time limitation (reroute pay trigger) reduced to four hours after original release (25 hours if last duty period contains an ocean crossing)
- Mechanical on pilot's aircraft no longer prevents 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 any longer.)
- Added out of base green slip with conflict to long-notice trip coverage ladder

Bad

- Vacation day only counts for 3:15 (not 3:30) in line construction
- WS/GS/GSWC requests for trips that would have FAR conflict (not overlap) with sick trip go after requests from other pilots in category
- Less ability for senior reserve to avoid short call

UGLY

- Withholding LCP trips—projected number of regular trips for each F/O category will be withheld; some amount of F/Os will be forced to reserve; senior F/Os will no longer be able to bid for specific trips without some sort of backup due to unknown nature of the bid package; significant loss of seniority in PBS.
- This will have a negative affect throughout the first officer categories.
- This is not a good time to be a first officer.
- It has been painted as simply "taking the good deal away from a few senior F/Os." That fallacy will abrogate the bidding seniority of every F/O at Delta as it trickles down the bid list.

Unknown

- New reserves required formula—While this was briefed as a win/win, there are reservations as to what this really means. Could this make it more difficult to drop trips outright or even move reserve days? The actual implications are unknown and will be dependent upon the implementation and application of a complicated section of the PWA.

Section 25: Medical and Dental

Good

- Pilots can now select DPMP medical without the dental

Section 26: Retirement and Disability Benefits

Good

- Company 401(k) contribution increases from 15% to 16% on January 1, 2017. While any increase in contribution is good, 1% is way below what was expected. Also it is important to note that the 1% does not take effect for another 18 months.
- Disability offset for earned income stops after 36 months on disability
- Maximums 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)
- 25% of unused sick leave hours below 80 each year essentially paid out as additional disability after DPMA is exhausted. A small step in the right direction. Accrued at one hour per two unused below 80 annually, but then charged two hours for every hour used.

Bad

- 1% increase in 401(k) contribution in 2017. Placed in both Good and Bad; 1% in 18 months is clearly lower than what the pilots were expecting, in both the amount of increase and the time to get to it.

UGLY

- We get to put 40 hours *maximum* into our “enhanced disability account” annually (half of the unused sick time below 80). But then if we use 40 hours to top up a disability month, the account gets debited 80 hours. The company is charging us for the use of the disability plan that covers the first approx. 50% of pay while out on disability; something we would get anyway even without having saved anything in disability bank. We never got the straight facts on this from negotiators until the end of negotiations. See Section 26.K.5.C.2.

Virtually Basing Test: Unclear—little info as to how it will work other than positive-space (Y) travel to and from trips only at the start and end of the bid month; presumably it will enhance QOL for those who take advantage of the virtual base but will decrease credit time overall; can be pulled down by either side. This *could* have a large negative impact on jobs. When the company is able to reduce credit time, they are able to reduce the number of pilots needed. If you read the June *Crew Resource Update* that references the ER in NYC, it highlights what the company is trying to do. From the summer to winter months, ER block hours in NYC are reduced by approximately 50%.

Today, the company is required to DH many of those excess pilots in the winter months throughout the system to get them where historically the flying is higher. With the reduced need to DH those pilots (which presumably is a key goal of virtual basing); the number of pilots needed is reduced. While this will help pilots who fly the ER who are senior enough to bid MCO as a virtual base, the rest of the pilots may suffer to some extent (fewer pilots). It is also very difficult to “cost” what this language will do. Will the company just use the ER in MCO or will they expand to use other aircraft at other bases? It is impossible to find out the true cost unless we know exactly how the company plans to implement the concept. This is very similar to the CDO argument during FAR 117 negotiations. While we all

believed that the company wanted CDOs to get rid of the 30-hour layovers, what we found out later was the company was planning on 1,100 CDOs per month, much higher than the number of 30 hr. layovers.

- Will they restrict instructors? Pilots will move from a “regular” base to a virtual base only after qualified in the affected positions if this is the case and instructors are in a virtual base then we will be deadheading students to the virtual bases for training or the instructors out to a base to line checks? Either way, deadheading could increase.
- The 75% hold-back of instructor’s lines. Does this happen in a virtual base also?
- It says the block of time to be used in the virtual base will be comprised of time from the regular bases the pilots come from. If instructors go to virtual bases in a larger percentage (they could as they are senior in their seats) how does the hold back affect the handful of F/Os in the virtual base?
- Many unanswered questions

TLV Flex/RCC Test

Unknown—

Allows for some RCC control over bid package quality, with limitations, in exchange for a one-hour increase in TLV top end; presumably, the additional credit created by RCC bid packages will make up for any lost productivity from increasing the TLV, but that is unknown; can be pulled down by either side.

Generally UGLY

The worst part of the entire TA is the net increase of \$1.1B in total PWA value over the life of the contract. This means that Delta pilots will be earning only 13.6% more in 2018 than they are today, when the effect of all concessions are considered.

In C2012, we achieved a 20% increase in overall net value over three years on the heels of \$1B annual profit, the other “legacy” passenger carriers (not SWA, UPS, FDX) below us, and Europe teetering on collapse. Today, Delta’s profit is over \$1B *per quarter*, the company is giving billions back to investors and the economy is much stronger overall. While the pilot group does not expect an 80% increase in net value, they certainly expected more than 13.6% over three-and-a-half years.

Summary

The decision whether or not to take a deal is all about risk assessment.

- The risk in voting “no” is that you will not be able to get a deal later on that is sufficiently better than the one in hand to satisfy time value of money.
- The risk in voting “yes” is that you are settling for something that is so much less than what you could have held out for that it overcomes time value of money.
- Additionally to the point in this case is the notion that “proactive engagement” and our “relationship” is supposed to pay us dividends in the long run. To the extent that Delta is offering, and we accept, such a small token in these times would be an indicator of how little we are truly valued by Delta and how much we are willing to accept that valuation on our part. What risk does offering such an indicator pose in the future?

We are allowing a substantial number of additional 76-seat jets, with fewer restrictions, and quality of living pieces in return for only a few goodies on our part. Most of these quids are minor irritants in the minds of the pilot group, e.g., no longer losing per diem when we deviate from DH. The only substance in these quids are more reroute pay (not fewer reroutes) and more RCC control over bid packages (but how much influence is yet to be determined). The overall net value increase seems to be less than 75% of the increase we received in C2012—a contract that was viewed as less than satisfactory by many of us.

At best, this TA is underwhelming in value in this environment and contains a number of truly ugly concessions that should not be for sale at any price. We should not support a mediocre deal and squander the best negotiating environment we have ever seen. No deal is better than a bad deal, or one that harms the Delta pilots. This deal **may be on time, but it is way off target!**

Lounge Visits

Road shows will be conducted at all bases, and members of Delta Pilot Network (DPN) and Pilot-to-Pilot (P2P) will be in our crew rooms very soon. Please understand these volunteers are not your reps, but work specifically at the direction of the MEC chairman. They do not speak for your reps, and were not an integral part of the entire process as your reps were. Their position is to only provide data about the TA. They are not there to speak FOR or AGAINST the TA in any way, only to answer questions. If anyone witnesses a volunteer advocating one way or another, personally or on social media (which seems to be more of an issue right now), please notify your reps immediately so we can address their actions. Future updates regarding the TA will be broken down into subjects/sections of the contract that have changed in the proposed TA. Thank you for your patience and all you feedback during the process.

Fraternally,

Jon Lewis, Captain Rep
Chairman
Jon.Lewis@alpa.org
715-896-1963