



**Delta MEC**  
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COMMUNICATIONS COMMITTEE

*Touch & Gos*

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***Strategic Update***  
***Contract 2012 - Taking Advantage of Opportunity***



With contract negotiations now underway, we want to provide you with a strategic overview of our Contract 2012 efforts to date and some important factors relevant to our negotiating environment.

Next month marks the four-year anniversary since the boards of Delta Air Lines and Northwest Airlines jointly announced their intent to merge the two carriers under the Delta brand. The respective MECs undertook a strategy of engagement to ensure that the pilots of the merged carrier would share in the merger's success through contractual improvements and 55 million shares of stock in the merged corporation. This engagement has continued non-stop with the MEC constantly on the lookout for opportunities to make contractual gains and quality of life improvements. A number of Letters of Agreement have been reached on issues, which would normally have to be addressed during Section 6 negotiations. The most recent example of these is *LOA #31*, which eliminated IOE recovery flying obligations, vastly improved other recovery flying rules, and made permanent an improved Reserves Required formula. In addition, the MEC has capitalized on the "Optimization Team" concept (i.e. Scheduling Optimization Team and Training Optimization Team) to achieve significant quality of life improvements.

These are just a few examples of achieving gains when opportunities present themselves. As you read in Captain O'Malley's March 9th *Chairman's Letter*, this strategy positioned us to open Section 6 negotiations early, so let's take a closer look at the current negotiating environment and opportunities that may result.

**Most important - Taking advantage of Delta's strategic position**

In the last few years, Delta management has attempted and in many cases succeeded in leading the industry's "power curve" in strategic moves that continue to capture important market share. Many airline analysts now believe that Delta has a strategic lead over its competitors, a lead that may be two to six years ahead of other network carriers in many areas. Importantly, the Delta pilots have often played pivotal roles in these efforts and obtained contractual improvements along the way.

In the midst of the industry's constant evolution, we believe the Delta pilots may once again have an opportunity to succeed in a timely manner. With all of this in mind, your MEC concluded its recent meeting with a unanimous resolution, which read in part that:

*" . . .the Negotiating Committee immediately begin to pursue a superior Pilot Working Agreement, achieved in advance of the amendable date, that justly compensates the Delta pilots for their contributions to the success of the Company."*

**Some relevant factors:**

***How the NMB views negotiations.*** In planning for negotiations, the MEC considered how the National Mediation Board (NMB) currently views Section 6 negotiations in our industry. The reason for this is

obvious; how the NMB handles negotiations, including the workload and case management of its mediators, is vitally important in planning and executing our strategy.

We encourage each and every pilot to review the [PowerPoint presentation](#) by NMB Chairman Linda Puchala to the MEC in January. It is posted on the [Section 6 page](#) of the Delta MEC website. What the NMB presentation tells us is that we should expect that a *traditional* Section 6 negotiation using *traditional* strategies and techniques will likely take several years. While the process might be accelerated to some degree by limiting the number of open items and operating within the NMB-defined “zone of reasonableness,” it is apparent from this presentation and the recent experience of other pilot groups locked in lengthy mediation that this type of timeline is indeed realistic when using traditional approaches.

***Negotiations and challenges at some of the other mainline carriers.*** The following table provides a summary of negotiations/challenges at several other mainline carriers. It includes key facts, which support the premise that attempting to achieve a timely superior agreement is consistent with pursuing the best interests of the Delta pilots.

<b>Carrier</b>	<b>Status</b>
<b>American</b>	In bankruptcy; submitted proposal for pilots which includes outsourcing aircraft; increasing revenue gap with Delta and United; some on Wall Street remain skeptical that American can be profitable even after restructuring; outcome uncertain but pilot contract will remain under significant pressure during the 1113 process
<b>Southwest</b>	Ongoing merger issues with AirTran; experiencing operational difficulties adjusting to hub type operations; still transforming business model to account for higher fuel prices and other costs; financial performance now <i>lagging</i> other carriers
<b>United</b>	Performing on par with Delta; pilot negotiations and those of other labor groups progressing, albeit slowly
<b>US Airways</b>	Pilot seniority issues still unresolved requiring lengthy court intervention; barely profitable despite cost advantages; lagging revenue performance of Delta and United; still searching for a merger partner

***Negotiating scope and job security.*** We all know that these important issues have been and likely will be on the bargaining table in every Section 6 negotiation. The MEC spent considerable time becoming informed on events that affect *all* aspects of Delta pilot job security, both on the domestic and international level, and concluded that a strategy to achieve a timely superior agreement is fully consistent with protecting our interests in this area.

**Choosing our own course for negotiations this year**

Designing and implementing alternatives to the traditional way of doing business has become a hallmark of the Delta pilots. Continuing this proven strategy has the real potential to add substantial value to our contract and sooner rather than later. Keep in mind that we can revert to traditional Section 6 negotiations (including mediation if necessary) - without prejudice to what has taken place - if the MEC’s approach to concluding a superior contract prior to the amendable date is not working to the MEC’s satisfaction.

Your support is essential in order to achieve our collective success. With that support, the Delta MEC can continue to break the traditional mold and explore every opportunity to deliver the results you expect, with the goal of reaching a comprehensive agreement - not years from now - but in the near-term.