

# FROM THE CHAIRMAN

100 HARTSFIELD CENTRE PARKWAY, SUITE 800, ATLANTA, GA 30354 404-763-4925



May 21, 2012

Dear Fellow Pilot,

Today, your MEC approved the tentative agreement for our new contract, over seven months in advance of the amendable date of our current contract. This agreement represents a significant accomplishment achieved in a difficult economic and negotiating environment. As in any negotiations, we did not achieve everything we set out to achieve, but substantial improvements have been made throughout our contract.

The contract language will be posted to the [Section 6](#) page of the Delta MEC website today. The language is provided in the format of the existing Pilot Working Agreement annotated with tracked changes. Over the next several weeks, you will receive a great deal of information concerning the agreement. You will soon receive a *Negotiators' Notepad* which will provide an overview of the agreement followed by expanded *Notepads*, each of which will cover various subjects in greater detail.

In this letter, I'd like to provide you with a high-level overview of the agreement.

Our amendable date in the current agreement is December 31, 2012. Just one day later, on January 1, 2013, pay rates will be 12.8 percent greater than they are today. Four percent of that increase will take place once the agreement is ratified with an additional increase of 8.5 percent on January 1, 2013. This will be followed by pay increases of three percent at the beginning of 2014 and 2015. Just two years after the amendable date of our current agreement, pay rates will be almost 20 percent above where they are today. Pilots will also receive an additional one percent contribution to their defined contribution plans effective January 1, 2014. Importantly, we have eliminated the pay differential that exists between the MD-88 and the MD-90; MD-88 pay rates will now match those of the MD-90.

Some will argue these increases are not enough and that we should hold out for more, but this ignores the time-value of consistent year-over-year increases. Southwest pilots, for example, are where they are today because they work for a consistently profitable company and have received a series of modest pay increases. On the other hand, some pilot groups have stagnated with no increases for years waiting for the elusive home-run payout. Since the merger, and through the end-rate gains of this agreement, same-seat compensation (pay and defined contribution increases) at Delta will, on average, increase over 53 percent. A 737 captain, for example, earned \$153.42 per hour in 2008 and received an 11 percent DC contribution. On January 1, 2015, he will be paid \$216.92 per hour and receive a 15 percent DC contribution.

In terms of scope, we were able to achieve important improvements, from the smallest jets through international joint venture protections. Scope is the most complex section of the contract. At its core, it is about who flies Delta's passengers and ultimately, about Delta pilot jobs.

Importantly, we will have a block hour ratio, which establishes a minimum amount of mainline flying relative to DCI flying and a cap on the total number of 50 to 76 seat DCI aircraft. Delta will be permitted accelerated access to 76-seat jets, *but this access can only occur* if Delta first acquires small narrow-body jets flown by Delta mainline pilots and if there is a significant reduction in the number of 50-seat aircraft. Without the acquisition of these new mainline aircraft, Delta will be capped at the current level for 70/76-seat jets. Ultimately, under this agreement, Delta's access to 76-seat jets will be capped at 32 *less than* what is allowed in the current PWA. Additionally, Delta will no longer be permitted to convert 70-seat jets to 76-seat jets going forward, regardless of the size of the mainline fleet.

Delta management decides which aircraft it operates, but we have every reason to believe that Delta will soon announce the purchase of aircraft *contingent on the ratification of this agreement*. This will represent a major opportunity for many of our pilots to upgrade from the right seat to the left seat and will also create a need for additional hiring for the right seat. While the details are complex and best left for a dedicated *Negotiators' Notepad*, let me summarize by saying that if Delta executes its plan for the small narrow-body jet flying, the result will be a major shift of block hours to Delta mainline. The share of mainline domestic flying will increase by 21 percent and the ratio of mainline domestic to DCI flying will increase by 57 percent over the life of this agreement.

We achieved a number of improvements in the scheduling arena, and one of the most significant is in the area of reserve flying. The reserve guarantee will be established as two hours below the average line value (ALV) with a floor of 72 and a ceiling of 80. This improvement alone will result in a monthly pay increase for reserves of between 2.9 - 14.3 percent depending on the monthly ALV, *before* the pay table increases are applied. Combined with the other improvements to reserve, it is my view that when viewed in aggregate, we will have the best reserve system in the industry.

The complicated and often punitive 75 percent sick leave bank has been eliminated. All sick leave up to a pilot's yearly accrued maximum will be paid at 100 percent, and for pilots with over 20 years of service, the sick leave accrual will increase from 240 to 270 hours per year.

The agreement also includes an early retirement program similar in scope to the program offered to other Delta employees earlier this year, and this program will also be the subject of a standalone communication.

There are many other improvements in the tentative agreement such as "vacation any," average daily guarantee (ADG), elimination of the sick leave monitoring program and others too numerous to cover here. In addition to the communications I've already discussed, the MEC administration and the Negotiating Committee will begin a series of system-wide road shows commencing after the Memorial Day weekend. We will also produce a streaming video for those unable to make it to a road show. In short, we will do everything in our power to provide you with all the information you need to cast an informed vote once the ratification window opens next month.

This tentative agreement provides for an amendable date of December 31, 2015, three years after our current amendable date. Under the current PWA, we would not enter mediation until March 2013. In mediation, the average time spent to reach an agreement is 29 months. Our time in mediation could be more; it could be less. But if we take the average, that means we might not reach an agreement until the fall of 2015, just months ahead of the amendable date of the recently achieved tentative agreement. Put another way, we'll be

deep into negotiations for our *follow-on* agreement (Contract 2015) even before we might have reached an agreement on Contract 2012.

In a recent *Chairman's Letter* to you, I wrote somewhat cryptically about fleeting opportunities, and earlier in this letter, I wrote about Delta's fleet plan. The value the Delta pilots receive in conjunction with this TA is a result of Delta's desire to execute its business plan in a timely fashion. It is in large part due to this leverage that we were able to seize the opportunity to reach this agreement over seven months ahead of the amendable date. Delta can execute a portion of its fleet plan without an agreement with ALPA, but this is a rare opportunity to accelerate and enhance that plan to the benefit of both Delta *and the Delta pilots*.

Finally, I would like to thank the MEC Negotiating Committee and their expanded team for the incredible work they have done over the past 18 months and in particular, during the last two months. The Delta pilots have once again set the bar for pattern bargaining, and shattered the paradigm of drawn-out negotiations. Importantly, if this agreement is ratified, we don't intend to stop there. Your MEC will continue to make incremental but significant improvements at every opportunity, just as we have for the past several years.

The Delta MEC Negotiating Committee wholeheartedly endorses this agreement, and the Delta MEC has approved and endorsed this agreement. It is my recommendation that when the time comes to cast your vote, you vote to ratify the agreement.

Respectfully,

A handwritten signature in cursive script that reads "Tim O'Malley". The signature is written in black ink and is positioned below the word "Respectfully,".

Tim O'Malley  
Chairman  
Delta Master Executive Council  
Air Line Pilots Association, Int'l