



Overview of Pilot Communications for the Next Few Months

Executive Summary

- A primary focus of our communication effort going forward will be on preparing the pilot group for contract negotiations.
- *Touch & Gos* will continue to periodically include issues on understanding airline economics, to help you accurately gauge the state of Delta's finances.
- We will follow up with educational pieces about negotiations in general and negotiations under Section 6 of the Railway Labor Act (RLA).
- There will be a comprehensive contract summary and comparison to other carriers leading up to the all-pilot contract survey.
- The only thing constant in this industry is change, therefore we will continue to cover a variety of other topics as conditions warrant.

Timeline

In response to line pilot desires for more communication from your union, relayed through your elected representatives, *Touch & Gos* will continue to provide relevant and timely information about the activities of your union. The pace of communications will continue to increase as our scope broadens to include contract negotiations. A Section 6 opener is just a year away, and your union is working overtime to get ready.

In order to help you follow the focus of our communication efforts, we'll provide you with an outline of relevant topics related to negotiations so you will know what to expect. As current events have

shown, however, there is one thing that you can count on this industry, and that is that events can and often do overshadow the best laid plans. In that vein, while we will increase our negotiations themed pieces, we will continue to cover a variety of other topics.

Previous editions of *Touch & Gos* have sometimes included an emphasis on financial education. This emphasis will continue, focusing both on the industry, but more specifically, Delta's finances. The state of Delta's finances will be watched by all parties in the negotiations, including the National Mediation Board. The more you understand about Delta's public economic reports, the better you will understand certain aspects of negotiations. Our contract provides ALPA with extensive access to Delta's non-public financial data, and we routinely use ALPA's Economic & Financial Analysts to examine this data and cross check its validity.

Along with the financial education pieces, we will provide a general discussion about how your Negotiating Committee conducts their negotiations, and about the extended support team (including other MEC committees, professional negotiators and financial analysts). Most pilots have never experienced these types of negotiations up-close, and we will provide an insider peek on what occurs. (Hint: It's a very structured process and not as dramatic as many might think.)

We will also include a more narrowly focused series on the Railway Labor Act and more specifically, Section 6 of the Act, which governs our negotiations. We will

discuss the role the National Mediation Board (NMB) plays in our negotiations and lay out the status of other pilot groups who are also in or close to entering Section 6. It is important to note that while many of us think about Section 6 as two-party negotiations, they can be and often actually end up as three party negotiations, where the NMB plays an important role in determining the pace and progress of negotiations.

As part of the communication process, your Negotiating Committee will present a comprehensive summary of our current contract along with a comparison of the contracts of our industry peers, both domestic and international. The committee will follow with focused communications on specific areas of the contract to expand their education efforts. This will culminate in an online contract survey where pilots will

be asked to participate. The results of the survey will be used by your elected reps and the Negotiating Committee to help shape our opener.

In summary, you can expect a lot of communication in the coming year with an emphasis on those related to contract negotiation. Please read the material you will be provided and provide feedback to either your elected reps or Pilot-to-Pilot volunteers you may encounter on the line. In particular, the results of the contract survey will affect every pilot on our seniority list and we would like to see a very high participation rate to that end.

JP Morgan Conference Notes

In a previous edition of *Touch & Gos*, we discussed using the statistics from the profit and loss statement to help make future predictions of Delta's financial results. In the March 22nd JP Morgan Conference Call, Delta President Ed Bastian predicted that Delta would have a negative operating margin of 2-3%. If you start with a revenue base of \$8 billion, you would expect an operating loss of around \$200 million. Subtract \$280 million for interest and other expenses and we would predict that Delta will report a pre-tax loss of about \$480 million for the quarter. Delta cashed in on some of the gains from their hedge portfolio this quarter and some of those gains may offset the operational losses incurred, so the final loss may be smaller. You can view the slide deck that Delta presented and listen to the webcast at [Delta Investor Relations](http://www.delta.com/about_delta/investor_relations/) ^{*}.

* http://www.delta.com/about_delta/investor_relations/