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September 13, 2013

Contract 2012 Report Card (and more)

"A journey of a thousand miles begins with a single step."
- Lao-Tzu

Reflecting on our journey as a pilot group over the last seven years, it is important to note how far we have come and all we have achieved in that time. Looking back, 2006 was the low water mark for our contracts, our careers, and our industry.

Both Delta and Northwest had just signed bankruptcy agreements to avoid the threat of contract dismissal by the courts. We knew the road to recovery was a journey of a thousand miles. We also knew that the industry, as a whole, faced a long journey, and we recognized that we had to devise a strategy to succeed.

Some of our fellow pilots at other carriers tried to make that journey in one broad leap. Time and again, each tried to gain back all that was lost in one glorious contract that would instantly repair all the damage our profession had sustained since 2001. We saw that strategy return a somber cardiac flat line in terms of improvements. In fact, the paralysis that afflicted those companies actually contributed to continued losses in pilot jobs and potential earning power for those pilots so eager to bounce back in one giant leap forward.

At Delta we charted a dramatically different course; now, it was not as glamorous as the others, and it may have been tougher to adhere to, but it was - and still is - a course that has led the industry out the depths of 2006. Rather than going for "Vegas," we chose a "Warren Buffet" style of continuous improvement to our contract, taking a single step, and then another and another. In time, those steps have led to gains that will exceed 50 percent returns, and gains that have provided the pattern for the rest of the profession, including the flat liners, to climb out of the hole with us.

In this document we will illustrate how our strategy of consistent results has provided a real path to continual contractual improvements for Delta pilots. We also show how the contract we signed just a little over a year ago broke the logjam for the rest of the industry, and our profession as a whole. Lastly, we will summarize other improvements we negotiated through side letters of agreement that add real value for the Delta pilots today.

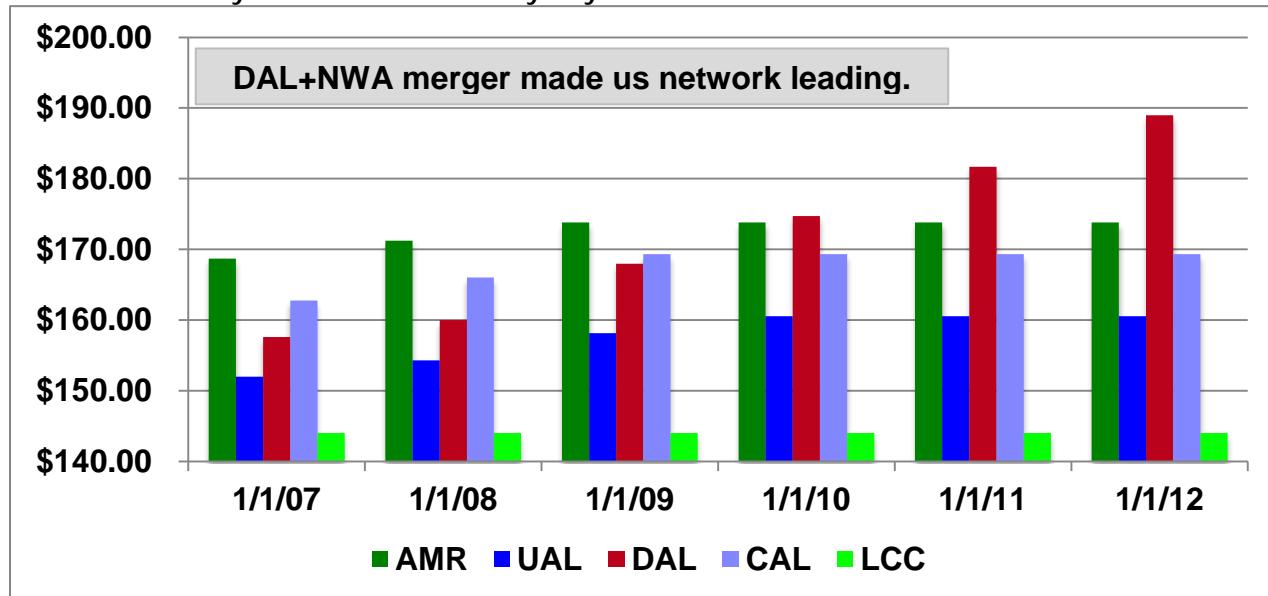
As a caveat, we know we are not across the finish line yet. These and other contractual improvements are already in our book, and by staying the course there is more to follow. The proven strategy of the Delta MEC has enabled the entire profession to pattern bargain its way out of the contractual wasteland that existed just seven years ago.

Before June 2012

Prior to C2012 other pilot groups were stuck in neutral. To be honest, while the Delta pilots were making steady progress, the other groups were an albatross around our necks. The following graph shows our 757-200 pay rates and our network passenger airline competition. Note how the

Delta/Northwest merger contract provided significant improvement from slightly lower than industry average to industry leading.

Network Industry Peer 757-200 Hourly Pay Rates¹



The above chart shows the Delta 757 rate well ahead of the other pilot groups in January 2012. By January 2013 - the amendable date for our former contract - the margin had widened, and our peers in other pilot labor groups had fallen further behind.

Additionally, Delta management now wanted to reconfigure the fleet to deliver more revenue, and balanced against that was the desire of the Delta pilots to turn the tide on scope and outsourced flying. C2012 finally provided an opportunity for pay raises, and a significant transfer of flying from DCI to the mainline.

The fleet enhancements and network strategy made possible by the merger were now leaving other airline managements sitting on the sideline as Delta's passenger revenue gains began to widen, and at times our passenger revenue growth exceeded our peer average by a 4:1 margin².

The Positive Impact of C2012

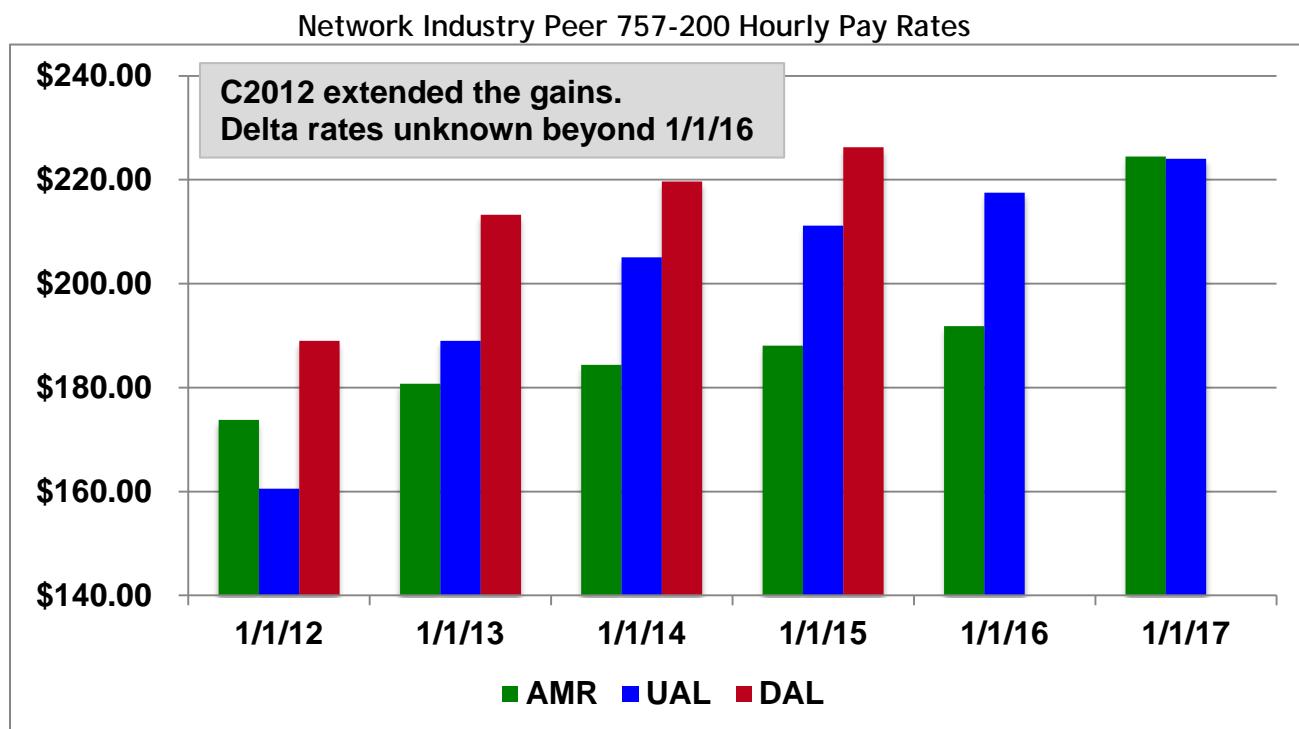
The entire airline industry was shaken by our new contract. Managements knew that they had to at least respond to the new fleet equation at Delta. They also realized that the days of slashing pilot payrolls to stay in the black were at an end. Getting a deal done with their pilots now became more important than foot-dragging, and this unlocked negotiations at all the other carriers.

We are only 18 months away from exchanging openers, and if the AMR/LCC merger goes through, it will provide the last component of a solid bargaining foundation to enable another leap forward with C2015. With the experienced team in place, and preparations already underway it is highly likely that the Delta pilots will once again make rate improvements before the other carriers' contracts become amendable in 2017 or later.

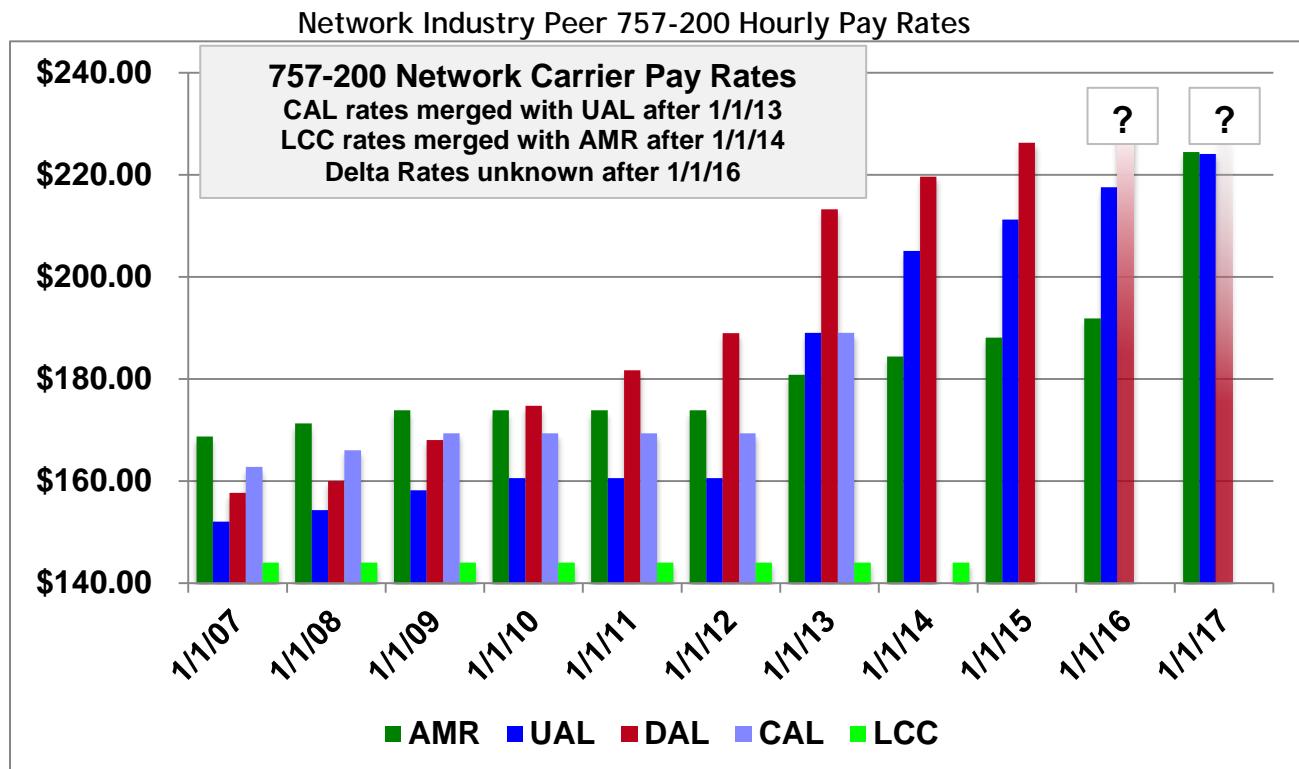
¹ The 757-200 aircraft is the only common aircraft for all carriers. United 767 and 757-300 rates are pay banded at a final rate of \$232.15, a rate higher than the AMR, DAL 757/767/7ER final rate, and UAL 757-200 final rate.

² http://www.sec.gov/Archives/edgar/data/27904/000101968713000655/delta_8k-ex9901.htm

For now, this is what 2017 will look like:



Now look at both charts combined:



We see here the astounding impact of C2012: in five years, the Delta pilots will have raised the industry average pay on the 757 by \$66 per hour, or 41 percent.

Securing Gains Step By Step

But there's more. The following information below helps frame factual debate, and serves as a reminder of the gradual and constant improvements the Delta MEC has made to our Pilot Working Agreement (PWA). Below is a brief synopsis of the contractual benefits we achieved in each Letter of Agreement (LOA) that has been signed since the implementation of the Joint Collective Bargaining Agreement (JCBA) after the completion of the NWA/Delta merger.

The JCBA incorporated 14 LOAs as carryover items between the NWA and DAL PWAs, all of which were part and parcel of the JCBA ratified by the Delta pilots. In addition to those carryover LOAs, the Delta MEC successfully negotiated the following LOAs since the signing of our merged PWA (aka JCBA).

JCBA LOA 16: Transatlantic Joint Venture Agreement (JV)

- We were able to codify the DL/AF/KLM Joint Venture as specified in the JCBA.
- We adapted the JV to the new reality of the European Union "home country" flying.
- We improved protections against a UAL/Aer Lingus type operation.
- We improved labor dispute and information sharing provisions.
- We provided protections for DL pilots flying in the Atlantic theater.

JCBA LOA 17: PWA Compliance with the Fair Treatment for Experienced Pilots Act

- We codified necessary PWA changes to comply with age 60/65 change.
- We provided pay protection if a conflict arises as a result of age 60+ pilot limitations.
- We arranged a crew meal change to cover Mumbai flights - requires at least two meals for over 12 hour flights.

JCBA LOA 18: Non-Flying Lines and Benefit Clarifications

- We provided an option for pilots who wanted assurances that they could be off for one or even several months.
- We provided for 100 percent vesting in NWA MP3 for all former NWA pilots (only affected the pilots hired in 2007-2008).

JCBA LOA 19: Flight Operational Quality Assurance Program

- We negotiated that DAL FOQA was shut down with NWA FOQA up and running.
- Pilots benefit from the protections offered by a good FOQA program.
- We updated and reestablished the FOQA program with appropriate protections.

JCBA LOA 20: Military Airlift Charters and Scheduling Adjustments

- We incorporated all MAC flying into normal scheduling system with guarantees, premium pay opportunities, and line-of-time builds.
- We established duty day limits for relief crew.
- We codified malaria endemic destination language and procedures.
- We established a LCW flex for categories with limited mix of rotations.
- We made improvements in recovery flying - 23.G.5. and 23.K.
- We established that GS and Reroute pay increased to double pay instead of 1.5 pay.
- We provided access to MAC data for the Scheduling Committee.
- We established that reserve X-days are no longer prorated for CQ.
- We established improvements in insurance for a death while on duty.

JCBA LOA 21: International Operations, Scheduling and Benefits

- Theater Qualification (TQ) program negotiations dealt with a dispute between ALPA and management over disagreement on unilateral decisions related to theater qualifications (TQ).
- We achieved pay protections for pilots in relation to the TQ program.
- We established limited recovery flying to malaria endemic destinations.
- We made clarifications to the NWA disability plan.
- We established that drug abuse would be added as an eligible illness for disability (24 months).

- We negotiated to provide DPSP withdrawal of contributions after age 59 and a half.

JCBA LOA 22: A-319 European Charter Ops, Sick and Accident Leave, and Short Call

- This LOA limited the number of charters allowed for A319s to operate outside the United States after an ocean crossing to Europe with strict operating limitations.
- Pilot on accident leave can request to defer vacation.
- This LOA provided that short call pilots are released at noon on last day before hard non-fly days.
- We established an option to request multiple sequential short calls.

JCBA LOA 23: Mesaba Interim Flow Through

- Allows temporary continuation of Mesaba flowup after sale of Mesaba by Delta.

JCBA LOA 24: Compass Flow Through

- Continues flowup and flowdown to/from Compass as long as Trans States owns Compass.

JCBA LOA 25: Mesaba Flowup

- Identified the Mesaba pilots who are eligible for flowup to Delta.
- Restated the rules governing the flowup of Mesaba pilots.

NOTE: Regarding LOAs 23-25, the Mesaba and Compass pilot groups had contractual language that gave them the right to negotiate preservation of their flows in the event the carriers were sold.

JCBA LOA 26: Monthly Pay, In-Service Withdrawals and Benefit and Scheduling Clarifications

- We established a more even distribution for a pilot's monthly pay.
- We established a provision for in-service withdrawals to provide pilots with additional retirement fund options.

JCBA LOA 27: Special Airport, Route, and Theater Qualification Modifications

- Required the Company to review with ALPA any changes to theater qualifications.
- Codified how new theaters would be included in implementation schedules.

JCBA LOA 28: Voluntary Retirement

- Secured standard retirement benefits for pilots participating in early retirement programs.
- Optimized the implementation of the early retirement programs for PMNW pilots, preserving benefits earned after reaching pension milestones.

JCBA LOA 29: Scheduling Optimization Team

- Modified reserve bidding system to bring pilot seniority back into the reserve system through RAW bucket groupings.
- Introduced new CQ bidding system allowing pilots to bid in seniority order for CQ training slots.
- Provides positive space travel for off-rotation deadheads at the beginning of a rotation.
- 15 additional contractual or policy changes made to enhance quality of life issues for all Delta pilots.

JCBA LOA 30: Training Optimization Team

- Outlines stringent requirements for the qualifications of non-seniority list instructors and allowances for furloughed pilots and NWA ATIs.
- Additionally includes 16 clarifications to various sections of the PWA.

JCBA LOA 31: Scheduling Modification

- Eliminated 23.G.5 recovery flying.
- Favorably modified 23.K. recovery flying.
- Introduced a new reserves required formula giving pilots more schedule flexibility.
- Allowed domestic 7ER pilots converting to international 7ER, capable of flying domestic time before TOEs.

Now let's examine Contract 2012. It's been less than nine months since the amendable date, and we've seen 12.84 percent more added to our pay, an increase in benefits, nearly 7 percent of our gross salary added in profit sharing this past February, and the beginning of the transfer of Delta flying to the mainline. Below is a review of each LOA and MOU under Contract 2012.

C2012 LOA 11 Pilot Retiree Medical Account (RMA) Program

- Provided incentives related to medical benefits for pilots to retire early. As a result, 191 pilots retired early. The majority of these retirees were under age 60.

C2012 LOA 12 PWA Carryover Provisions

This LOA brought the protections and agreements of LOAs associated with our merger JCBA forward into the new PWA. For example:

- Joint Retirement Boards with ALPA participation were retained.
- Base closure protections.
- Improved PBS unstacking parameters.

C2012 LOA 13 Carryout Rotations and Training, Scheduling and Benefit Clarifications

- Improves scheduling flexibility by allowing a pilot to swap or drop a rotation transitioning into the following month. Adds value for a pilot related to schedule control and flexibility.

C2012 LOA 14 Virgin Australia Joint Venture Agreement

- Maintained the current PWA JV protections and if growth occurs in this market, Delta pilots will capture proportionally and quantitatively more flying than the share already protected by PWA Section 1.E.
- Labor protections were also included in the event of a cooling-off period or lawful strike.

C2012 LOA 13-01 Reduced Lower Limit and Blank regular Lines, New Hire Pilot 401(k) Contributions and Miscellaneous Clarifications

Increased the availability of Reduced Lower Limit (RLL) and blank regular lines to pilots who did not fit within the line construction limit. Effectively provides value to a pilot through more options and control of his schedule.

- Provides for automatic 5 percent earnings 401(k) contribution for new hires. Contribution automatically increases over time up to a 10 percent. Provides value by introducing awareness of our 401(k) and importance of regular savings plans for new hires.
- Improvements to recency and reestablishment of recency notification posted at least 45 days prior in DBMS. Allows a pilot to plan better for maintaining recency.
- Improved reimbursement of FAA medical charges to \$249/\$152 from the previous \$233/\$142 for EKG/non-EKG FAA medicals, adding monetary value for pilots.

C2012 LOA 13-02 Pre-Training Period, Distributed Training For Theater Qualification (TQ) & Miscellaneous Clarifications And Corrections

- Makes permanent the pre-training period (PTP) test and expands PTP availability.
- Allows for the use of distributed training to maintain theater qualification.
- Clarifies and corrects various citations and language throughout the PWA.

C2012 MOU 13-01 Airwatch Privacy

- Protects the personal content of our personal electronic tablets.
- Ensures that no information will be used to track a pilot's location, nor be used in disciplinary action.

The value of this MOU allows us to have easy access to a large volume of information so that we can perform our jobs professionally, but also protects us from electronic intrusion in our private lives.

C2012 MOU 13-02 Electronic Bulletin Boards

This MOU will provide up-to-date union information in the pilot lounge.

C2012 MOU 13-03 Additional Rest Seat On A330-300 During TOE

- Requires the Company to provide an additional rest seat during a TOE, on an aircraft where no second rest seat existed.

- Improves the quality of rest for pilots operating a flight with an LCA conducting a TOE.
- This MOU also applies to the B767-400.

C2012 MOU 13-04 Automated Run Time Testing

Produced an accurate method of determining QCQ run times and the training pay associated with it.

C2012 MOU 13-05 Known Association Business

Allows any ALPA known absences to be pre-posted on a monthly basis thereby allowing PBS to create more regular lines for Delta pilots.

The above LOAs and MOUs detail the constant incremental gains we've made together. Collectively, these results have taken us from the depths of the bankruptcy contract to at or near the top of the industry in virtually every category.

We recognize that we are not done. As opportunities present themselves, we will always act on your behalf to continue to add value to our lives.

- New wide body aircraft ordered.
- over 100 net mainline aircraft start arriving in the next weeks, recapturing a major amount of flying.
- Pilot hiring announced, with no end likely in sight.
- A profitable company, and a stable economy that continues to grow.

The Delta pilots' journey has taken us from the depths of two bankruptcy contracts, to what was undoubtedly the most successful airline merger in history, to an industry-leading pilot contract in just seven years. None of that happened by chance. It happened due to experienced Delta MEC volunteers and negotiators backed by the best staff professionals in the industry at ALPA. And ALL of this was only made possible through the support and efforts of the most professional and knowledgeable pilots in the business - the Delta pilots.

Your union is already preparing for C2015. With your support, we are confident that we are well positioned and poised for even larger gains the next time around. Openers are only 18 months away, and your team is ready and excited for the next opportunity to improve our contract.