

Negotiators' Notepad

15-16

December 22, 2015

Re-engagement Begins

Today, your Negotiating Committee presented the Company with our proposal for re-engaging in Section 6 negotiations. Under the Railway Labor Act, following rejection of the prior TA by the Delta pilots, the Section 6 process continues. Until now, the terms of the rejected TA were the parties' last table positions, and it was up to us to propose changes to our position. Today's proposal does just that.

As you know, the MEC directed that we re-engage the Company with a "***Focused Plus***" strategy, "***focused***" on resolving the primary objections of the pilot group to the prior TA (such as overall compensation), "***plus***" introducing important additional proposals not included in the TA. This strategy is based on the following pillars:

- Compensation/Value
- Scope
- Sick Leave
- Productivity/Work Rules

It is important to understand that "Focused Plus" is not intended simply to make minor changes to the rejected TA. Through polling and the web survey, you have made it clear that you expect significant improvements in a number of key areas. "Focused Plus" allows us to maximize overall improvements while serving to increase the opportunity of reaching a suitable TA within your anticipated timeframe.

On the following pages is the proposal that we presented to the Company today. The black italicized verbiage in brackets is explanatory for your benefit. The final two pages of this communique contain the major items we intend to retain from the prior TA.

In all, your Negotiating Committee believes that this proposal sets the stage for a negotiating process that will result in a superior agreement for the Delta pilots. Thank you again for continuing to remain engaged in the process.

Steve, Heiko, Jeff, and Ron

Framework for Re-Engagement - "Focused Plus"

Delta pilots work every day to differentiate Delta from its competitors, not only through our focus on safety but also by providing world-class customer service. Customers pay a revenue premium to fly Delta, and the number one reason they will do this is because of the leadership of its pilots. Richard Anderson said it best - *"There is no stronger symbol of the Delta brand than a Delta pilot in uniform."*

The rejected TA - the first one ever at Delta Air Lines - reflected the true sentiments of the Delta pilots. Since that rejection, we have conducted extensive polling and outreach to gather input from our pilots, with a record number participating. We asked why the TA was rejected and what would be needed to achieve an acceptable agreement. Our proposal today reflects the pilots' objectives in this negotiation.

The Delta pilots feel that, while much work was accomplished in the prior negotiation in identifying issues important to the parties, changes to certain provisions in the TA will be necessary for us to move forward toward a new agreement. In particular, compensation and the overall value of the prior TA were insufficient, and certain solutions to some of the Company's stated issues were unacceptable.

Accordingly, the Delta pilots propose to retain the changes to the PWA that were reflected in the prior TA, except as indicated in this proposal. We further propose to focus on improving key areas from the TA - "pillars" - and to add certain "plus" items not included in the TA.

Compensation/Value

We applaud the fact that Delta Air Lines is a clear leader in our industry, in terms of revenue, marketing, and profitability. However, Delta did not rise from the ashes of bankruptcy to post successive record-breaking years of profit without the sacrifices of its employees, especially its pilots. Delta pilot compensation must therefore reflect not only the financial concessions that were instrumental to Delta's survival, but also the unique pilot-management relationships that have been crucial to propelling Delta beyond the industry standard in corporate performance. It must likewise reflect Delta's current and projected levels of profitability and the recent increases in pilot compensation throughout the industry.

Today, a Delta pilot's vacation accrual maximizes at 113.8 hours per year. Maximum vacation accrual for pilots throughout the industry ranges from 113.7 hours at American up to 216 hours at FedEx. Our vacation proposal would bring the Delta pilots to a maximum accrual of 176 hours.

Training is an important part of a Delta pilot's professional life. A training event should not significantly erode a pilot's earnings potential for a full month's work.

Therefore, we propose to improve compensation levels as follows:

- Increase hourly rates by:
 - 22% effective January 1, 2016
 - 7% effective January 1, 2017
 - 7% effective January 1, 2018
- Increase hourly rate for EMB-190/195 equal to B-717
- Increase international pay to \$8.00 for Captains and \$6.00 for First Officers and delete Alaska/Canada carve-out
- Re-establish night pay of \$5.00 for flight time flown 1800-0559 pilot acclimated time
- Establish pilot responsibility pay, e.g., "door pay"
- Retain current book on **3 B. 4.** [*This "me-too" clause provides for a review and potential hourly pay increase when non-contract employees receive a pay increase*]

- Delete expiration date of **3 B. 5**. [*This “me-too” clause currently requires Delta to provide the same bonus or lump sum payment, other than profit sharing, that it grants to non-contract employees*]
- Retain current book on Pilot Profit Sharing Plan
- Vacation
 - Increase max accrual to six weeks, add two days to PVAC, and adjust accrual rate as follows:

Years of Continuous Employment Completed before April 1 st of Vacation Year	Earned Vacation
1-4	2 weeks + 2 days
5-10	3 weeks + 2 days
11-17	4 weeks + 2 days
18-24	5 weeks + 2 days
25 or more	6 weeks + 2 days

- Increase daily vacation hours by 15 minutes per year, as follows:
 - 3:30 effective April 1, 2016
 - 3:45 effective April 1, 2017
 - 4:00 effective April 1, 2018
- Training pay
 - CQ - increase daily rate by 30 minutes per year, as follows:
 - 4:15 effective January 1, 2016
 - 4:45 effective January 1, 2017
 - 5:15 effective January 1, 2018
 - Pay for distributed training increase to 1 for 1
- SLI/LCP pay
 - Increase SLI pay to 5:15 per SLI duty period
 - Establish monthly override of \$1000 for LCP and \$1500 for LLCP
- Increase per diem by \$0.15 per year for domestic operations and \$0.25 per year for international operations, as follows:
 - \$2.35/\$2.95 effective January 1, 2016
 - \$2.50/\$3.20 effective January 1, 2017
 - \$2.65/\$3.45 effective January 1, 2018
- Increase Company contribution to DPSP by 1% per year, as follows:
 - 16% effective January 1, 2016
 - 17% effective January 1, 2017
 - 18% effective January 1, 2018

Scope

Scope provisions provide the framework for Delta pilot careers, protecting job security and career progression. We propose to retain the TA changes to **Section 1**, with the following exceptions:

- DCI
 - Retain current limit on number of 70/76-seat aircraft
 - Retain current book on **1 D. 4. - 6.** restrictions on DCI aircraft flying [*These provisions limit the distances and the amount of hub-to-hub flying DCI carriers may operate*]
- Remove “Chairman” from **1 E. 9.** [*This new provision requires Association approval of branding for international partner flying. This change would clarify that the approving authority is the MEC*]
- Retain current production balance in the Transatlantic Joint Venture [*Air France/KLM/Alitalia*]

Sick Leave

We believe that the PWA must neither incentivize a pilot to use sick leave when he is not sick nor pressure him to fly when he is sick. Accordingly, we propose the following changes to the TA:

- Retain current book on verification thresholds, including voluntary verification
- Retain current book on release of medical records
- Accept new definition of Qualified Health Care Professional (QHCP) certificate, except:
 - Allow on-line provider
 - Clarify bona fide relationship requirement
 - No estimated return to work date
- Accept that only QHCP certificate may serve as verification, but retain reimbursement for all required verifications
- Provide that QHCP certificates will be submitted to Chief Pilot who will accept such as verification
- Retain current book on calling in well
- Provide that a Personal Drop Sick (PDS) request will always be awarded
- Enhanced disability plan
 - Deposit 50% of unused sick leave hours into plan
 - Based on his plan balance, a disabled pilot will receive up to an additional 40 hours per month at his most recent hourly pay rate after DPMA has been exhausted [*This new plan would prolong the time that a pilot's disability benefits exceed 50% of pay*]
- Provide that sick leave may be used for FMLA leave

Productivity/Work Rules

The Delta pilots recognize the importance of Delta being able to take advantage of every opportunity to maximize its revenue. As a pilot group, our working relationship with Delta management has traditionally provided the Company a significant "first mover" advantage over competing airlines, facilitating major business transactions to be executed smoothly. Quality of life provisions that we have maintained because of this cooperation should not be eroded to match those at airlines having less collaborative relationships with their pilot groups.

It is important that Delta adequately staff its pilot force over the long term, such that no pilot is required to increase the amount of work he performs on a regular basis. In addition, any discussion of work rule changes must include a solution for today's pilot fatigue issues.

We propose to retain the work rule changes in the TA, with the following exceptions:

- Retain current book on FO bidding with LCP
- New reserves required formula: *[This formula from the TA will more accurately represent actual reserve utilization]*
 - Provide that this will be a test
 - Provide that "I" may be negative *[In the formula, "I" is a variable representing the difference between an historical average of open time and actual open time. Allowing the variable to be negative would provide for a reduction of reserves required whenever open time falls below the historical average]*
 - Delete open time buffer *[Providing that "I" may be negative in the formula eliminates any need for an open time buffer]*
- TLV/RCC & Virtual Base MOUs
 - Combine into single MOU *[Virtual Base staffing coupled to Rotation Construction Committee's bid package improvements]*
 - Delete TLV increase
 - Simplify RCC provisions:
 - Allow the RCC to increase Company bid package solutions by up to 2% of credit *[This will make it easier for the RCC to achieve the intended improvements by simplifying the metric to better reflect the way the RCC works]*
 - Allow the RCC-enhanced bid package's ALV (not the Company's ALV) to exceed 84 if necessary to improve bid packages *[This increases ability for the RCC to make bid package improvements in all bid periods]*
- Establish rotation guarantee for all removal from FDP for fatigue or fitness for duty
 - For a fatigue call within the limits of an FDP, rotation guarantee applies and the Fatigue Risk Management Team determines cause of fatigue; if within pilot control, rotation guarantee is deducted from pilot's available sick leave credit hours
 - A pilot who does not concur with an FDP extension (or who concurs with the FDP extension but subsequently revokes such concurrence) will be assumed unfit for duty, and rotation guarantee will apply

Plus Items [*Those items not already incorporated in the above pillars*]

- Establish Voluntary Employees' Beneficiary Association (VEBA) for post-retirement expenses, e.g., medical expenses, life insurance, etc., as allowable by law [*Similar to an HSA. Provides for pre-tax contributions. Money grows tax-free and can be withdrawn tax-free when used for qualified expenses*]
 - Establish VEBA Board, comprised of MEC-appointed members, to oversee program and determine any annual and/or overall funding limits and investment options
 - Contributions
 - \$1 per pay hour
 - Internal Revenue Code Section 415(c) and 401(a)(17) excesses as determined by the VEBA Board [*These are amounts in excess of IRS qualified plan limits, which are currently returned to pilots as taxable income*]
 - Company to pay administrative costs of program
- Provide that the Company may not initiate the dismissal of an SLI/LCP from such position for other than just cause, with an SLI/LCP right to grieve such action
- Address co-terminal transportation issues
- Category freeze for entry level pilot - accept 24-month freeze, but clarify that pilot may bid to another aircraft at another base after 12 months if he is unable to be awarded his current aircraft at that base in that AE

Provisions of the Prior TA to Be Retained

Scope

- Redefined "Control" in regard to affiliates
- Improved fragmentation protections
- Improved domestic mainline to DCI block hour ratio
- Required separate corporate identities from international flying partners
- Improved furlough protections by protecting all pilots at date of signing
- Deleted Republic carve out

Compensation

- A350 hourly pay rate equal to B744/777 pay rate

Minimum Pay and Credit Guarantees

- One hour pay and credit for reserve pilot who does not fly during short call period
- Two hours pay, no credit for pilot who is required to meet with Company representative on a non-fly day

Lodging and Expenses

- International per diem for training outside the 48 states
- Required crew meals for flights scheduled for more than five hours
- Hotel upon request for recency training in base for pilot who lives at least 50 miles from Training Center
- Hotel Committee coordination to adjust pick up times based on time of day and/or day of week

Vacations

- Available move-ups posted in DBMS
- Made vacation bank balance payout at retirement pensionable
- Individual vacation days

Deadhead

- Surface deadhead pay increased to \$25 per hour
- Eliminated loss of per diem when deviating from scheduled deadhead
- Required automation of block times for deadheading on non-Delta aircraft

Training

- Codified Automated Run Time testing
- Increased line guarantee to ALV for pilot who fails to complete training
- Increased notice required from SLI and/or Company when SLI returns to line
- LCP/AQFO override applied to entire duty period in which LCP/AQFO duties are performed
- Improved sick leave pay for SLIs
- Established pay guarantee for SLI duty periods in excess of 17 that are scheduled and subsequently removed
- Established "warm up" module if break in training is greater than 6 days
- Restricted MV/LOE re-check days from counting as extra curriculum day
- Established language related to Ab Initio training
- Increased ALPA involvement in training matters

Hours of Service

- Allowed as few as ten hours' break in duty prior to FRMS duty period after delayed or cancelled FRMS duty period
- Improve duty period credit for flying after 2200 (pilot base time)

Leaves of Absence

- Established FAA leave for pilot who is no longer sick while awaiting his medical certificate

System Board of Adjustment

- Specific timeline for grievance hearings

Filling of Vacancies

- Limited 365-day conversion window to bids that contain displacements
- Reduced category freeze for pilot who requires fewer than 12 curriculum days to 12 months
- Increase entry level pilot category freeze to 24 months, but provided exception for pilot who can only change bases by training on different aircraft

Scheduling

- Premium pay for extension of asterisk trip
- Premium pay for reserve pilot who is assigned to fly into certain regular line days off
- Improved trigger for reroute pay
- Provided reroute pay if rerouted beyond trigger due to mechanical on pilot's assigned aircraft
- Earlier trip coverage for MAC rotations and rotations with an early report
- Denied WS/GS for trip that would conflict with a trip for which the pilot had called in sick, unless no other pilot available for such WS/GS
- Provided that a reserve pilot may be unavailable for contact during first two hours of any short call period
- Established FRMS short calls

General

- Required email notification to pilot if flight times are changed by Company

Medical, Dental, Life Insurance, and Other Benefits

- Provided that up to \$500 of pilot's unused FSA funds roll over to the subsequent year
- Provided that medical and dental benefits under the DPMP could be elected separately

Retirement and Disability Benefits

- Eliminated earnings offsets to disability benefits after 36 months of disability
- Eliminated limits on disability benefits for psychiatric conditions

Duration

- 3-year contract, amendable December 31, 2018