DELTA PILOTS' CONTRACT HISTORY

DELTA MEC
NEGOTIATING COMMITTEE
alpa

CONTRACT 2015

Delta Pilots' Contract History

A History of the Pilot Contracts at Delta and Northwest

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INTRODUCTION

This "Contract History" is intended to provide background through a review of historical facts and perspectives of past negotiations at Delta and Northwest. In the past few *Negotiators' Notepads,* we provided you with an overview of the Section 6 process. The historical review that follows demonstrates how that process is often impacted—at times driven—by outside or unexpected events such as state of the industry and/or economy, bankruptcy, 9/11, etc.

In reviewing each of the negotiations included in this document, the following information is presented:

- A review of the negotiating environment and process
- Key results of the negotiations, both positive and negative
- Comments

Information is also provided to give you some understanding of the financial environment that existed at the time of each negotiation.

- The source information is from SEC Filings, U.S. DOT Form 41 and the U.S. Energy Information Administration
- Delta's figures for 1995 through 1998 present Delta's fiscal year July 1–June 30
- Delta's figures for 2008 and beyond include Northwest's figures
- Financial results exclude special and one-time items
- Pilot Cost per Available Seat Mile (CASM) is based upon wages, benefits, payroll taxes, and personnel expenses (former Northwest freighter operation not included)

Financial data terms and definitions:

- **Operating Revenue** – total revenue generated by passengers, cargo, ancillary, and maintenance/repair/overhaul performed for outside clients, expressed in millions of dollars; excludes revenue from investment activities
- **Operating Income** – operating revenues minus operating expenses (total expenses required to produce the operating revenue, expressed in millions of dollars; excludes capital expenditures and debt repayment, among other things)
- **Operating Margin** – operating income expressed as a percentage of operating revenue; relates operating income (profit or loss) to size of the airline
- **Pre-Tax Income** – operating income minus net interest and other expenses, expressed in millions of dollars
- **Pre-Tax Margin** – pre-tax income expressed as a percentage of operating revenue; relates pre-tax income (profit or loss) to size of the airline

- **Pilot CASM (Cost per Available Seat Mile)** – the average pilot cost, expressed in cents, for one seat flown one mile
- **Available Cash** – based on unrestricted and restricted cash, short-term investments, and undrawn lines of credit, as of December 31 (June 30 from 1995–1998 for Delta) of the indicated year, expressed in millions of dollars
- **Block Hours** – total hours operated during the year
- **Crude Oil** – average price of barrel of West Texas Intermediate for the calendar year

We hope this document provides you with a historical perspective of our past contracts and the operating environments in which they were negotiated.

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Delta MEC Negotiating Committee

Delta

DELTA/NORTHWEST FINANCIALS 1995–2013

In an attempt to help you understand the negotiating environment for each of the contracts that were negotiated during this period, it is helpful to review the time specific financial situation of each airline. Below is a year-by-year analysis of the two airlines' financials over the period of this historical contract review. As part of the discussion of each individual contract, we have also provided the financials for the three-year timeframe of the specific contract negotiation reviewed.

Negotiating Financial Timeline (Pre-Merger Delta)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operating Revenues ($M)	12,194	12,455	13,594	14,057	14,883	16,741	13,879	13,866	14,308	15,235	16,480	17,532	19,154
Operating Income ($M)	661	1,292	1,583	1,694	1,787	1,745	(1,117)	(904)	(915)	(1,474)	(1,113)	381	1,105
Operating Margin	5.4%	10.4%	11.6%	12.1%	12.0%	10.4%	-8.0%	-6.5%	-6.4%	-9.7%	-6.8%	2.2%	5.8%
Pre-Tax Income ($M)	494	1,105	1,467	1,680	1,675	1,347	(1,506)	(1,581)	(1,674)	(2,290)	(2,087)	(439)	625
Pre-Tax Margin	4.1%	8.9%	10.8%	12.0%	11.3%	8.0%	-10.9%	-11.4%	-11.7%	-15.0%	-12.7%	-2.5%	3.3%
Available Cash ($M)	1,762	1,652	1,170	1,634	2,316	1,607	2,210	2,603	2,917	2,147	2,878	3,398	4,306
Block Hours	1,953,319	2,001,755	2,100,902	2,161,141	2,220,232	2,256,902	2,114,403	1,924,017	1,787,252	1,933,922	1,923,533	1,729,148	1,758,101
Crude Oil - barrel	18.43	22.12	20.61	14.42	19.34	30.38	25.98	26.18	31.08	41.51	56.64	66.05	72.34
Pilot CASM (¢)	1.15	1.32	1.07	1.04	1.04	1.19	1.34	1.51	1.83	1.69	1.18	1.02	0.77

Negotiating Financial Timeline (Pre-Merger Northwest)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operating Revenues ($M)	9,085	9,881	10,226	9,045	10,133	11,240	9,905	9,976	10,077	11,279	12,286	12,568	12,528
Operating Income ($M)	914	1,054	1,157	921	661	694	(636)	(431)	(166)	(225)	(789)	766	1,085
Operating Margin	10.1%	10.7%	11.3%	10.2%	6.5%	6.2%	-6.4%	-4.3%	-1.6%	-2.0%	-6.4%	6.1%	8.7%
Pre-Tax Income ($M)	544	883	985	682	386	502	(903)	(778)	(583)	(696)	(1,330)	327	759
Pre-Tax Margin	6.0%	8.9%	9.6%	7.5%	3.8%	4.5%	-9.1%	-7.8%	-5.8%	-6.2%	-10.8%	2.6%	6.1%
Available Cash ($M)	1,299	1,299	2,257	1,528	2,360	1,848	2,612	2,198	2,884	2,615	1,862	2,482	3,860
Block Hours	1,290,213	1,362,443	1,392,509	1,311,880	1,435,810	1,487,444	1,446,902	1,408,333	1,358,608	1,402,384	1,381,451	1,280,402	1,270,811
Crude Oil - barrel	18.43	22.12	20.61	14.42	19.34	30.38	25.98	26.18	31.08	41.51	56.64	66.05	72.34
Pilot CASM (¢)	1.08	1.00	0.97	1.09	1.07	1.05	1.17	1.21	1.34	1.31	1.26	0.96	0.90

Negotiating Financial Timeline (Delta)

	2008	2009	2010	2011	2012	2013
Operating Revenues ($M)	34,288	28,063	31,755	35,115	36,670	37,773
Operating Income ($M)	53	83	2,667	2,243	2,600	3,526
Operating Margin	0.2%	0.3%	8.4%	6.4%	7.1%	9.3%
Pre-Tax Income ($M)	(958)	(1,091)	1,449	1,105	1,568	2,653
Pre-Tax Margin	-2.8%	-3.9%	4.6%	3.1%	4.3%	7.0%
Available Cash ($M)	5,396	5,786	5,619	5,763	5,583	5,778
Block Hours	2,920,690	2,619,983	2,694,396	2,691,641	2,642,225	2,675,650
Crude Oil - barrel	99.67	61.95	79.48	94.88	94.05	97.98
Pilot CASM (¢)	0.85	1.05	1.07	1.11	1.18	1.36

NORTHWEST 1998 CONTRACT

Amendable date of existing contract: October 31, 1996
Ratification date of new contract: September 12, 1998
New amendable date: September 13, 2002

	1996	1997	1998
Operating Revenues ($M)	9,881	10,226	9,045
Operating Income ($M)	1,054	1,157	921
Operating Margin	10.7%	11.3%	10.2%
Pre-Tax Income ($M)	883	985	682
Pre-Tax Margin	8.9%	9.6%	7.5%
Available Cash ($M)	1,299	2,257	1,528
Block Hours	1,362,560	1,392,573	1,311,880
Crude Oil – Barrel	22.12	20.61	14.42
Pilot CASM (¢)	0.61	0.97	1.09

NEGOTIATING ENVIRONMENT:

- In the early and mid-’90s the industry was going through record financial losses caused by a weakening economy and the first Gulf War
- July 6, 1993: A three-year concessionary contract was ratified by the Northwest MEC in conjunction with other employee group concessions to ward off bankruptcy
  - The total Northwest employee concessionary package was valued at $886M
  - The pilot share of this was $365M
- In 1994, Northwest had its first profitable year since 1989, followed by successive record profits in 1995, 1996, and 1997

PROCESS:

- The pilot group was unified and looking for gains following a concessionary contract
- Following extensive negotiations, the two parties were eventually released into a 30-day “cooling-off” period by the National Mediation Board (NMB)
- On the evening of the 30th day (August 28,1998), the Company left the bargaining table, let the clock run out, and shut down all flight operations
- Pilots struck in response
- An agreement was reached 15 days later

KEY RESULTS:

- Northwest-CAL Alliance established
- Northwest-KLM joint venture established (to include any carrier added to the joint venture); 50 percent of all flying to be flown by Northwest pilots
- Number of RJs was tied to number of mainline aircraft
- 3.5 percent retro lump sum payment back to October 31, 1996
- 3 percent increase in hourly rates on September 13, 1998
- 3 percent increase in hourly rates on September 13, 1999
- 3 percent increase in hourly rates on September 13, 2000
- 3 percent increase in hourly rates on September 13, 2001
- 2.5M stock options distributed to pilots over the length of the contract
- Canceled vacation eliminated
- Dual qualification eliminated
- Trip hour credit increased
- Variable monthly cap established
- Premium pay established: 150 percent for voluntary call-out; 200 percent involuntary call-out or call-down
- B-scale eliminated (phased in during contract)
- Value of vacation day increased (phased in during contract)
- Allowed increase of West Coast code-share partners from two to three
- Allowed increase of 30 RJ (45–55 seat)
- The concept of "monthly vacation" introduced; if not bid, vacation was assigned by inverse seniority

COMMENTS:

- ALPA estimate of the negotiated lockout/strike settlement contract was an increase of $156M compared to management's last, pre-lockout proposal
- There were 15 days of lockout/strike, then nine days of "ramp up" required before the airline was back to a full schedule

Delta

DELTA 2001 CONTRACT (C2K)

Amendable date of existing contract: May 2, 2000
Ratification date of new contract: June 20, 2001
New amendable date: April 30, 2005

	1999	2000	2001
Operating Revenues ($M)	14,883	16,741	13,879
Operating Income ($M)	1,787	1,745	(1,117)
Operating Margin	12.0%	10.4%	–8.0%
Pre-Tax Income ($M)	1,675	1,347	(1,506)
Pre-Tax Margin	11.3%	8.0%	–10.9%
Available Cash ($M)	2,316	1,607	2,210
Block Hours	2,225,511	2,269,404	2,187,408
Crude Oil – Barrel	19.34	30.38	25.98
Pilot CASM (¢)	1.04	1.19	1.34

NEGOTIATING ENVIRONMENT:

- Early ’90s: The aviation industry was in severe economic distress
  - 1996: Pilots ratified a concessionary contract, which was amendable in 2000
  - Other employee groups had also taken pay cuts
- 1997: Record number of passenger enplanements
- Delta Air Lines had achieved several consecutive years of profitability
- August 1999: Industry pattern bargaining environment for pilots changed significantly, with UAL contract increasing pay rates as much as 28.5 percent

PROCESS:

- The pilot group was unified and looking for gains following several years of a concessionary contract
- Delta 777 pay rates set the pattern bargaining bar
- UAL pilots subsequently set a higher bar in pattern bargaining using the “Delta Dot” (777 pay rates) to establish their pay rates
- The Section 6 timeline and process was followed; direct and mediated negotiations took place before the parties were released into a 30-day “cooling-off” period
- Self-help was avoided when a tentative agreement was reached while in “super mediation”

KEY RESULTS:

- Set new limits on Delta Connection flying and international code-share agreements
- Extensive realignment of mainline aircraft hourly pay rates resulted in increases varying by aircraft type on May 1, 2000:
  - 8.5 percent to 21.6 percent increase in mainline hourly rates on May 1, 2001, of which 3.8 percent to 16.3 percent was retroactive to the original amendable date of May 1, 2000
  - 4.5 percent increase in hourly rates on May 1, 2002
  - 4.5 percent increase in hourly rates on May 1, 2003
  - 4.5 percent increase in hourly rates on May 1, 2004
- Increase in Delta Express rates to 89 percent of those of mainline over the duration of the contract
- Increased international pay
- Night pay established
- Per diem increased
- Eight hours minimum break-in-duty once *at* the hotel for layovers
- Value of vacation day increased
- Regular and reserve pilots able to utilize off-rotation deadhead at end of rotation and positive-space travel available for travel to airport in vicinity of permanent residence
- Deadhead on jumpseat eliminated
- Pay for CQ, In Command, and other training increased
- Pay for single allowable day of distributed training increased
- PS(Y) travel to/from training
- Reserve X-days increased
- Sick bank increased
- Accident leave increased
- Reserve long-call/short-call system established (previously two SC windows per on-call day)
- Premium pay established for reroute beyond confines of original rotation
- Longevity credit for furlough time
- Systemwide cap of 75 hours for three months prior to a furlough
- 23.K recovery rules broadened to allow international release up to 24 hours after original release
- Reroute rules broadened to allow reroute through a pilot's base
- Partial month move-ups for reserves eliminated

COMMENT:

The events of 9/11 occurred less than three months after ratification.

NORTHWEST 2002 CONTRACT

Amendable date of existing contract: September 13, 2002
Ratification date of new contract: May 2002
New amendable date: September 13, 2003

	2000	2001	2002
Operating Revenues ($M)	11,240	9,905	9,976
Operating Income ($M)	694	(636)	(431)
Operating Margin	6.2%	–6.4%	–4.3%
Pre-Tax Income ($M)	502	(903)	(778)
Pre-Tax Margin	4.5%	–9.1%	–7.8%
Available Cash ($M)	1,848	2,612	2,198
Block Hours	1,487,463	1,447,191	1,408,396
Crude Oil – Barrel	30.38	25.98	26.18
Pilot CASM (¢)	1.05	1.17	1.21

NEGOTIATING ENVIRONMENT:

- Industry pattern bargaining: Saw the early 2001 UAL contract, followed by the June 2001 DAL contract (C2K); these contracts set significantly higher pay rates
- As of late summer 2001, the economy was worsening with a major downturn in high-revenue business travel
- The September 11, 2001, terrorist attack immediately destabilized the airline industry
- In the fall of 2001, Northwest announces cutbacks with reduced domestic and international flying through the end of the year; planned end-of-year pilot hiring was canceled, and furloughs were anticipated
- Wall Street repeatedly downgraded earnings expectations for all major carriers

PROCESS:

- MEC sought to postpone planned January 2002 contract openers and Section 6 negotiations, hoping that the Section 6 negotiating environment would improve
- Parties successfully negotiated a one-year contract extension

KEY RESULTS:

- One-year extension of contract (to September 13, 2003)
- 10 percent increase in hourly rates over length of contract

COMMENT:

CAL pilots attempted a similar short-term extension strategy, but were unsuccessful.

NORTHWEST 2004 "BRIDGE/INVESTMENT" CONTRACT

Amendable date of existing contract: September 13, 2003
Ratification date of new contract: October 16, 2004,
New amendable date: December 31, 2006

	2002	2003	2004
Operating Revenues ($M)	9,976	10,077	11,279
Operating Income ($M)	(431)	(166)	(225)
Operating Margin	–4.3%	–1.6%	–2.0%
Pre-Tax Income ($M)	(778)	(583)	(696)
Pre-Tax Margin	–7.8%	–5.8%	–6.2%
Available Cash ($M)	2,198	2,884	2,615
Block Hours	1,408,396	1,358,658	1,402,452
Crude Oil – Barrel	26.18	31.08	41.51
Pilot CASM (¢)	1.21	1.34	1.31

NEGOTIATING ENVIRONMENT:

- The anticipated recovery did not materialize
- The airline industry remained unstable, with significant continuing losses
- September 2002 industry snapshot (pre-tax):
  - **NWA** 490 furloughed, 80 more scheduled; lost $402M in 1st half 2002
  - **DAL** 868 furloughed; lost $889M 1st half 2002
  - **AMR** 695 furloughed, approximately an additional 550 scheduled; lost $1.6B 1st half 2002
  - **CAL** 593 furloughed; lost $447M in 1st half 2002
  - **UAL** 844 furloughed; lost $1.3B in 1st half 2002
  - **USAir** 1,070 furloughed; lost $694M in 1st half 2002
- Northwest's pilot cost per seat mile was the second highest in the industry, behind only Delta.
- Both pilot groups were under intense pressure by management for contractual relief
- Low-cost carriers (LCCs) gained an increasing market share, moving from eight percent to over 35 percent of the industry share in the previous ten years

- Process:
- Northwest MEC decided to pursue a "Bridge/Investment agreement"
- This was intended as a step to reach the "safe harbor" goal of averting bankruptcy

KEY RESULTS:

- $250 million annual pilot cost reduction
- Northwest permitted to convert 60 44-seat RJs to 50-seats; 40 additional new 50-seaters authorized
- Cargo two-leg Trans-Pac letter of agreement
- Cargo ICN-KIX letter of agreement
- 15 percent reduction in hourly rates
- 15 percent reduction in premium pay, international pay, and management and instructor pilot overrides
- No "day rooms" for rest over four hours in DTW, MEM, MSP, and NRT
- Distance learning LOA
- Web-based CQ/SVT for all aircraft
- Sick bank capped; 73-hour max monthly sick pay after first month of continuous sick
- Medical/dental copay increased
- Safe Harbor – simultaneous restructuring of revolver debt in manner satisfactory to ALPA
- Annual profit-sharing lump sum (in addition to current profit sharing) for pre-tax margin above 1 percent for 2004–2006
- 3.5M in Northwest stock options awarded to pilots
- Furloughed pilots' recall rights increased
- Numerous minor changes to reduce issues with crew meals, vacation bidding, training scheduling, "red eyes," leaves of absence, medical exams, recall, position awarding, and scheduling rules
- Scheduling Changes:
  - Self-notification
  - Daily or standing preference for long call, reserve availability periods (RAPS), trips or trip parameters, will fly and various notification options
- Rewrite of reserve rules:
  - Created "long call" (10 hours) and "short call" system (2 hours)
  - First day of reserve duty starts at RAP or trip report time, not midnight
  - Bid for RAPs by seniority, assignments by noon each day
  - 15-hour RAPs and 9-hour NAPs for each fleet
  - FIFO (First In, First Out) replaced with LTFO (Low Time, First Out)

COMMENT:

Despite the best efforts at negotiating the Bridge/Investment Agreement in seeking Safe Harbor and warding off bankruptcy, a variety of factors resulted in Northwest's filing for bankruptcy ten months later.

DELTA 2004 INTERIM CONTRACT (LOA #46)

Amendable date of existing contract: April 30, 2005
Ratification date of new contract: November 11, 2004
New amendable date: December 31, 2009

	2002	2003	2004
Operating Revenues ($M)	13,866	14,308	15,235
Operating Income ($M)	(904)	(915)	(1,474)
Operating Margin	–6.5%	–6.4%	–9.7%
Pre-Tax Income ($M)	(1,581)	(1,674)	(2,290)
Pre-Tax Margin	–11.4%	–11.7%	–15.0%
Available Cash ($M)	2,603	2,917	2,147
Block Hours	1,998,796	1,787,252	1,933,922
Crude Oil – Barrel	26.18	31.08	41.51
Pilot CASM (¢)	1.51	1.83	1.69

NEGOTIATING ENVIRONMENT:

- Three years of record losses followed the aftermath of the 9/11 attacks
- Over 1,300 pilot furloughs: *Force majeure* clause invoked by management; arbitrator later ruled some furloughs should not have been subject to *force majeure,* and recalls began
- Other employee groups had taken pay cuts in Delta's attempt to avoid bankruptcy
- Almost 2,500 pilots retired early between 9/11 and September 2005, eventually resulting in numerous critical shortages in wide-body Captain categories
- LOAs #43 and #44 gave Delta temporary relief from cap and other scheduling limits
- LOA #45 temporarily allowed Delta to retain certain recently retired wide-body Captains in their prior categories for a period of 90 days as Post-Retirement Pilots (PRPs)

PROCESS:

The parties entered into concessionary negotiations to restructure the PWA outside of bankruptcy.

KEY RESULTS:

The resulting concessions saved Delta nearly $1B per year. In addition to pay cuts, Delta achieved significant increases in pilot productivity.

- Increased limit for number of 70-seat RJs to a maximum of 150, based on scheduled mainline block hours
- 32.5 percent reduction in hourly pay rates
- Reduction in per diem, night pay, and international pay
- International pay only for international flights actually operated (not for sick, vacation, or reserve guarantee)
- Value of vacation day reduced
- PBS implemented
- Monthly cap replaced by average line value (ALV)
- F/O recovery obligation if removed for another pilot's Operating Experience (OE)
- Recovery and reroute rules broadened
- Reserve high/low yellow slip system replaced by reserve assignment weighting (RAW)
- Green slip (GS), green slip with conflict (GSWC), and reroute pay reduced
- Defined-benefit plan was soft-frozen
- Accident leave reduced
- Improved protection in fragmentation, successorship/acquisition, profit/loss arrangements, and branded scope
- Preferential hiring for furloughed Delta pilots at carriers flying 70-seat RJs
- Increased access to Delta corporate information, including information on all affiliates
- Possible pay increases tied to nonpilot pay being increased for a substantial portion of the employees at Delta and quantified for pilots based on pay at competitors
- Profit sharing based on pre-tax profit
- Pilot-to-Pilot swap board established
- Required recall of all furloughed pilots by August 1, 2008
- Furlough not permitted below staffing required under PBS, and only with 90-day advance notice
- Targeted Defined Contribution plan created, seeking to result in approximately a 49 percent Final Average Earnings (FAE) retirement

COMMENT:

In spite of these concessions, Delta entered into bankruptcy less than 10 months later and presented ALPA with another demand for concessions, along with notification of a Section 1113(c) filing to reject the contract.

NORTHWEST 2006 BANKRUPTCY CONTRACT

Amendable date of existing contract: December 31, 2006
Ratification date of new contract: March 4, 2006
New amendable date: December 31, 2011

	2004	2005	2006
Operating Revenues ($M)	11,279	12,286	12,568
Operating Income ($M)	(225)	(789)	766
Operating Margin	–2.0%	–6.4%	6.1%
Pre-Tax Income ($M)	(696)	(1,330)	327
Pre-Tax Margin	–6.2%	–10.8%	2.6%
Available Cash ($M)	2,615	1,862	2,482
Block Hours	1,402,452	1,381,536	1,280,748
Crude Oil – Barrel	41.51	56.64	66.05
Pilot CASM (¢)	1.31	1.26	0.96

NEGOTIATING ENVIRONMENT:

- Despite the Bridge/Investment Agreement and management pay cuts, Northwest's economic condition continued to deteriorate; other unionized employee groups still had not provided concessions, and 500 Northwest pilots were still on furlough
- United and US Airways recently exited bankruptcy
- September 14, 2005: Northwest filed for bankruptcy protection
- October 12, 2005: Northwest filed a petition for Section 1113(c) rejection of the contract

PROCESS:

- Concessionary negotiations, already under way, intensified once the Section 1113(c) petition was filed
- November 4, 2005: An interim agreement including significant concessions was reached, providing for a delay of the start of the Section 1113(c) hearing
- January 17, 2006: With both parties unable to reach a permanent agreement, the Section 1113(c) hearing began; Northwest's motion was to reject the pilot contract in its entirety

- February 3, 2006: Section 1113(c) hearings concluded; the Court postponed its decision warning the parties that neither would be happy with the determination and a negotiated solution would be better for all
- February 28, 2006: Northwest pilots authorized a strike, if warranted. Northwest warned of their belief that a strike would be illegal and would result in liquidation
- March 1, 2006: The Court extended the deadline for a negotiated agreement to March 4, stating that both parties would lose if he was forced to render a decision
- March 3, 2006: The parties reached a tentative agreement on a restructured contract

KEY RESULTS:

- Restrictions on code-sharing relaxed
- Allowed 51–76 seat RJs for the first time, with certain restrictions and flow provisions
- No limits on the number of 50-seat RJs or on their ownership
- Deleted certain protections in the event of an acquisition of Northwest by another airline
- 23.9 percent reduction in hourly rates
- International pay eliminated for flights other than ocean crossings
- Premium pay for time in excess of 80 hours eliminated
- Redefined "Hours Flown" to pay scheduled vs. actual on a per-trip basis, rather than leg by leg
- Value of vacation day and vacation accrual reduced
- Deadhead pay reduced
- Monthly maximums increased
- Trip hour credit reduced
- Back-of-clock duty period credit reduced
- Minimum duty period – 5:00 hour average per day for multiple day trips; 4:15 minimum duty for one day trip
- Reserve days off reduced
- Reduced short-term sick pay as follows for rolling 12-month period:
  - 1st call – 100 percent
  - 2nd call – 75 percent (100 percent with a doctor's excuse)
  - 3rd and additional call – 75 percent
- Captain augment replaced with first officer augment on three- and four-pilot crews
- Recovery obligations for pilots displaced from trips for OE training
- PBS set to leave zero open time
- Pilot/retiree medical/dental changed and increased in cost
- Production balances in any new joint ventures

- Separate pay and work rules negotiated for mainline pilots to fly 76-seat aircraft
- 1.5 percent increase in hourly pay rates on January 1, 2008
- 1.5 percent increase in hourly pay rates on January 1, 2009
- 1.5 percent increase in hourly pay rates on January 1, 2010
- 2.0 percent increase in hourly pay rates on January 1, 2011
- Equity – ALPA bankruptcy claim of $888M
- Lump sum of $16.8M upon emergence from bankruptcy
- Profit Sharing – 10 percent of pre-tax income in excess of $1M, plus 15 percent of pre-tax income in excess of the pre-tax income amount if the pre-tax margin were above 10 percent
- Success Sharing Performance Bonus Plan
- International pay for narrow-body flying to Canada, Mexico, and the Caribbean reinstated
- Monthly maximum range reduced
- Sick call makeup permitted
- DC Plan phase-in to 8 percent by 2011
- Pilot Early Retirement Program for pilots at least age 50 with at least 10 years of service

COMMENTS:

- $888M equity claim sold in three tranches by Athena group at average 73.8 cents to the dollar
- In summer 2007, an LOA was reached that restored:
  - Premium pay for time in excess of 80 hours
  - Rejecting "Zero Open Time" in monthly bidding process
  - DH to 100 percent pay and credit
  - Reinstated previous definition of Hours Flown

Delta

DELTA 2006 BANKRUPTCY RESTRUCTURING AGREEMENT (LOA #51)

Amendable date of existing contract: December 31, 2009
Ratification date of new contract: May 31, 2006
New amendable date: December 31, 2009

	2004	2005	2006
Operating Revenues ($M)	15,235	16,480	17,532
Operating Income ($M)	(1,474)	(1,113)	381
Operating Margin	–9.7%	–6.8%	2.2%
Pre-Tax Income ($M)	(2,290)	(2,087)	(439)
Pre-Tax Margin	–15.0%	–12.7%	–2.5%
Available Cash ($M)	2,147	2,878	3,398
Block Hours	1,933,922	1,923,533	1,729,148
Crude Oil – Barrel	41.51	56.64	66.05
Pilot CASM (¢)	1.69	1.18	1.02

NEGOTIATING ENVIRONMENT:

- Despite the concessions related to LOA #46, the financial condition of Delta continued to deteriorate
- Hundreds of Delta pilots were still on furlough
- United and US Airways recently exited bankruptcy
- September 14, 2005: Delta filed for bankruptcy
- November 1, 2005: Delta filed petition for Section 1113(c) rejection of the contract
- Severe underfunding of DB plan suggested a strong risk of distress termination by PBGC
- Increased reliance on DCI RJs
- Process:

- September 12, 2005: Delta proposed further cuts beyond those in LOA #46
- December 11, 2005: An interim agreement was reached (LOA #50), which included additional concessions but provided additional time to reach a comprehensive agreement
  - Required Delta to reach agreement on terms and conditions if DB plan was terminated and to discuss profit sharing and equity during comprehensive negotiations that would recognize pre-bankruptcy concessions from LOA #46
  - Established timeline for comprehensive negotiations to conclude March 1, 2006, and third-party neutral panel to address Section 1113(c) motion if negotiations failed
- Unable to reach a comprehensive agreement, the parties presented their cases to the neutral panel with a final decision required by mid-April
- April 4, 2006: Delta pilots authorized the MEC chairman to call for a strike
- April 14, 2006: A tentative agreement was reached on a "Bankruptcy Restructuring Agreement"

KEY RESULTS:

- RJ seats increased from 70 to 76 (limited number tied to mainline growth; included furlough penalties)
- Fewer restrictions to international code-share
- 14 percent pay rate reduction, effective Dec. 15, 2005
- Per diem and international pay reduced
- Night pay deleted
- Value of vacation day and vacation accrual reduced
- Sick bank decreased; paid at 75 percent after first 240 hours in rolling three-year period
- Required recall of all furloughed pilots by August 1, 2008, deleted
- Requirement to be at 75-hour ALV in certain categories for three months prior to furlough deleted
- Retiree medical premiums increased (access only after Medicare eligibility)
- Survivorship plan replaced by $500,000 life insurance
- 1.5 percent increase in pay rates on January 1, 2007
- 1.5 to 6 percent increase in pay rates on January 1, 2008, based on corporate financial performance
- 1.5 to 6 percent increase in pay rates on January 1, 2009, based on corporate financial performance
- 1 percent increase in pay rates on December 31, 2009

- Profit sharing increased to a 15 percent payout at first dollar of pre-tax income and 20 percent payout on pre-tax income over $1.5B
- $2.1B ALPA bankruptcy claim in consideration of contract concessions
- $650M ALPA note in the event DB plan was terminated
- DC Plan contribution of 9 percent to all pilots in the event the DB plan terminated
- Process established to repair and improve employee-management relations

COMMENTS:

- Delta emerged from bankruptcy in May 2007, having successfully fought off a hostile takeover attempt by US Airways
- Athena Group, the financial advisers that the Delta MEC had retained to manage the bankruptcy claim, succeeded in monetizing the $2.1B claim that the pilot group received from Delta upon its reorganization at 60.05 cents on the dollar
- By the latter part of 2007, rumors were mounting regarding Delta's possible role in industry consolidation, and the merger with Northwest was announced on April 14, 2008

Delta

2008 JOINT COLLECTIVE BARGAINING AGREEMENT (JCBA)

Amendable dates of existing contracts: DAL – December 31, 2009
Northwest – December 31, 2011

Ratification date of new contract: August 11, 2008

New amendable date: December 31, 2012

	2006	2007	2008*
Operating Revenues ($M)	17,532	19,154	34,288
Operating Income ($M)	381	1,105	53
Operating Margin	2.2%	5.8%	0.2%
Pre-Tax Income ($M)	(439)	625	(958)
Pre-Tax Margin	–2.5%	3.3%	–2.8%
Available Cash ($M)	3,398	4,306	5,396
Block Hours	1,729,148	1,758,101	2,920,708
Crude Oil – Barrel	66.05	72.34	99.67
Pilot CASM (¢)	1.02	0.77	0.85

*Delta/Northwest combined

NEGOTIATING ENVIRONMENT:

- Delta/Northwest merger created the largest airline in the world
- Pilot groups participated at the front end of the merger
- Oil prices were spiking, topping out at $140 per barrel in summer 2008

PROCESS:

The objective was a fast-paced process to facilitate a smooth merger. In return, pilots would obtain contractual improvements, including equity in the merged corporation, for the value they brought to the merger.

KEY RESULTS:

During this merger, all parties were committed to achieving a swift and mutually beneficial solution, allowing the merger to realize its full potential as early as possible. The parties agreed to use the Delta PWA as the surviving contract, with certain language from the Northwest CBA retained where required for the operation. The resulting contract improvements (relative to the Delta PWA) included compounded pay increases of over 18 percent over the term of the contract, an increase in DC contributions, and equity in the new company.

- Fragmentation protection improved
- Pay:
  - Pre-merger Northwest pilots gained an approximately 10 percent immediate raise (October 2008) to Delta rates in effect at that time
  - All pilots:
    - 5 percent increase in hourly rates on January 1, 2009
    - 4 percent increase in hourly rates on January 1, 2010
    - 4 percent increase in hourly rates on January 1, 2011
    - 4 percent increase in hourly rates on January 1, 2012
- International pay increased
- Per diem increased
- Profit sharing adjusted for the size of combined carrier to a 15 percent payout at first dollar of pre-tax income and 20 percent payout on pre-tax income over $2.5B
- 5.88 percent equity stake in combined company
- Full pay sick leave hours increased
- GS/GSWC and reroute pay increased
- DC Plan contribution increased
- New restrictions established on X-day moves and PDs for certain international reserve pilots

2012 CONTRACT (C2012)

Amendable date of existing contract: December 31, 2012
Ratification date of new contract: June 29, 2012
New Amendable Date: December 31, 2015

	2010	2011	2012
Operating Revenues ($M)	31,755	35,115	36,670
Operating Income ($M)	2,667	2,243	2,600
Operating Margin	8.4%	6.4%	7.1%
Pre-Tax Income ($M)	1,449	1,105	1,528
Pre-Tax Margin	4.6%	3.1%	4.3%
Available Cash ($M)	5,619	5,763	5,583
Block Hours	2,694,396	2,691,641	2,642,225
Crude Oil - barrel	79.48	94.88	94.05
Pilot CASM (¢)	1.07	1.11	1.18

NEGOTIATING ENVIRONMENT:

- Delta pilots were preparing for their first full Section 6 opportunity in over ten years
- Having consummated a highly successful merger, Delta was beginning its third consecutive year of profitability and was aggressively investing in its infrastructure and paying down debt
- Numerous mid-contract improvements had recently been achieved for the pilots through various LOAs, including:
  - Enhancing a reserve pilot's ability to leverage his seniority for trip and short call assignments
  - Bidding for CQ training
  - Positive space for off-rotation deadhead at the beginning of a rotation
  - Vacation Slide
  - Elimination of recovery for a first officer removed from his rotation for another pilot's OE
  - Improvements to a pilot's recovery obligations
- Following two years of anemic and uneven recovery from the global financial crisis, the world economy was teetering on the brink of another major downturn

- In January 2012, Delta management had presented to the MEC its desire to upgauge its domestic network by reducing the number of 50-seat RJs, increasing the number of 76-seat RJs, and adding a small narrowbody aircraft to the mainline fleet

PROCESS:

The objective was a fast-paced process to facilitate the multi-faceted talks ongoing between Delta, Southwest, Boeing Aircraft Leasing Corporation, and the various RJ vendors. While Delta initially proposed a negotiation on a limited set of issues, the pilot group insisted on a full Section 6 negotiation and significant improvements throughout the PWA. The parties agreed to an expedited process under Section 6 that would allow either party to withdraw at any time, in which case the parties would revert to a more traditional Section 6 negotiation without prejudice.

KEY RESULTS:

Under the expedited process and after two months of intensive negotiations, an agreement on an amended PWA was reached seven months prior to the amendable date of the previous PWA.

- Allows the Company to take delivery of additional 76-seat aircraft when the Company takes delivery of additional 717 aircraft
- Established hard overall cap of 450 DCI aircraft (including large turboprops) when the Company takes delivery of additional 76-seat aircraft
- Established minimum required ratio of flying between mainline and DCI
- Eliminated conversion of 70-seat aircraft to 76-seat aircraft based on mainline growth
- Established Joint Venture (JV) production balance protections (share of flying)
- Established code share restrictions on holding companies
- Improved foreign ownership protection
- Improved Seniority List Instructor language
- Expanded and improved furlough protections
- Pay:
  - 4 percent increase in hourly rates on July 1, 2012
  - 8.5 percent increase in hourly rates on January 1, 2013
  - 3 percent increase in hourly rates on January 1, 2014
  - 3 percent increase in hourly rates on January 1, 2015
- CQ and distributed training pay increased
- Vacation pay increased
- International pay increased
- Per diem increased
- DC contribution increased

- Profit sharing reduced to a 10 percent payout of pre-tax income up to $2.5B
- Reserve guarantee and number of awarded X-days increased, along with max reserve
- Increased yearly sick credit to 270 hours for pilots with 20+ years of service
- Deleted the 75 percent pay provision for sick leave
- Placed restrictions of when a pilot may be required to verify his sickness
- Hotel, laundry, and relocation benefits improved
- Delta Pilots' Medical Plan improved
- Disability benefits improved
- ALV window increased from 72-82 to 72-84
- Changed summer month bid period dates
- PBS Staffing Formula improved
- Established early retirement program
- Introduced a new rig – Average Daily Guarantee (ADG) of 4:30

COMMENTS:

- LOAs followed, including:
  - Pacific flying
    - Increased restrictions on codesharing from Japan to Asian cities beyond Japan by introducing an 85 percent block hour protection on all Pacific flying and a new 182,750 block hour floor
    - Lowered the passenger limit on individual codeshare flight segments for Fifth Freedom routes between Japan and China or Korea
  - FAR 117
    - Increased Average Daily Guarantee (ADG) to 5:15; eliminated DPA; equalized rotation pay for regular and reserve pilots
    - Generally adopted FAR 117 limits with additional protections for FDP extension, deadhead, and FRMS flying
    - Established 1000 on a pilot's first on-call day as his earliest required report
    - Reduced short call periods for all pilots to a maximum of 12 hours
    - Prohibited rerouting into open legs that can be converted to open time with a report at least 14 hours in the future
    - Provided First Class/Business Elite deadhead seating for interport flying to and from NRT or HND greater than 5:15
    - Provided a below-deck rest facility on all A330-300 aircraft
    - Eliminated longevity disparity for former NWA pilots

SUMMARY

The airline industry has clearly experienced significant ups and downs over the past 20 years. In the early and mid-90s, the industry had record financial losses caused by a weakening economy and the first Gulf War. Record profits followed in the late 90s. The events of 9/11 and the subsequent economic downturn, furloughs, and multiple bankruptcies characterized the early part of the last decade, and were followed by the most recent round of mergers and industry-wide profitability. Throughout this time, Delta Air Lines and Northwest Airlines experienced similar swings in profitability, leading to bankruptcies in 2005. In 2008, the two carriers consummated a highly successful merger that has now led to record profitability.

During this period, our pilot groups have remained engaged with our companies, helping to ensure their survival during the darkest of times, and their success during the best of times. In doing so, we have provided much needed flexibility in pilot costs, anticipating appropriate returns when possible. Pilot collective bargaining agreements address many issues, such as quality of life, benefits, and compensation. While pay rates are only one aspect of our overall compensation, they have historically been a significant benchmark by which to measure that compensation.

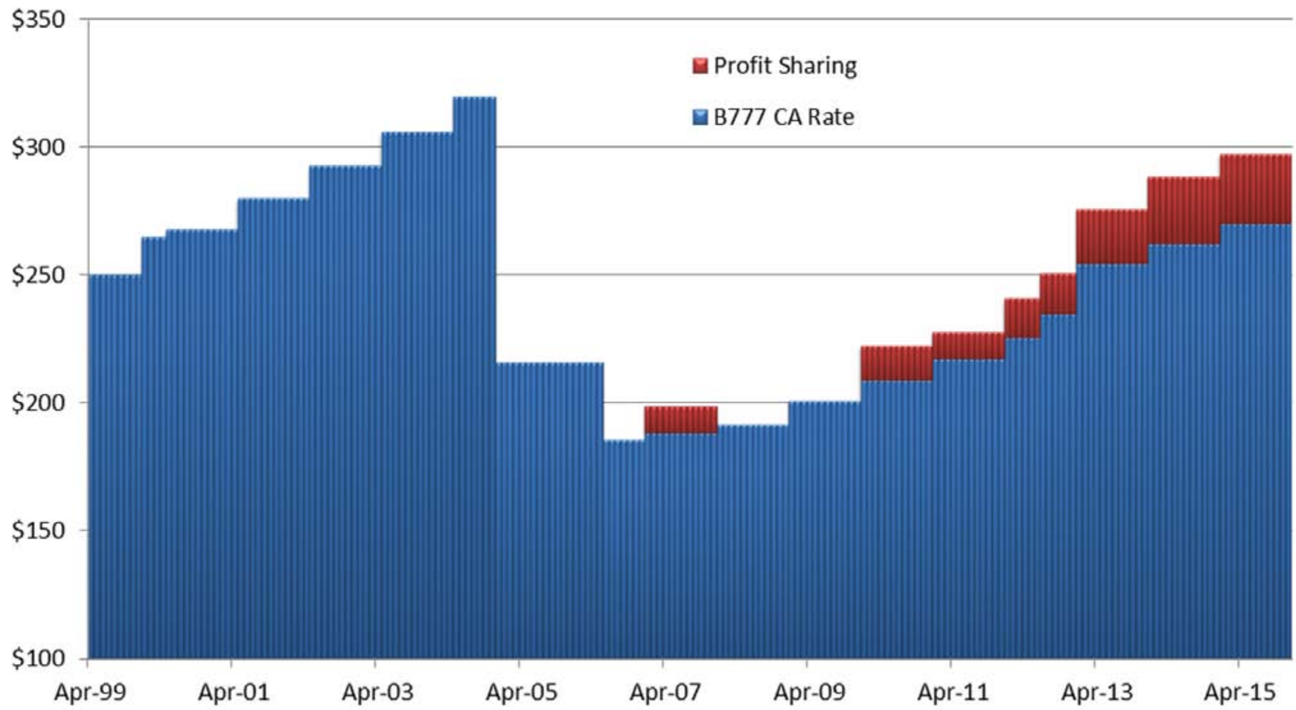
As an example, the graph and table on the next page shows the changes in Delta B-777 Captain pay rates since 1999. Recall that a profit sharing plan was implemented in 2006, in addition to fixed pay rates. Where applicable, we have included the profit sharing actually paid, which provides additional pay above the base pay rate during profitable years. (Note that a lack of profit sharing in 2008 after a profitable 2007 caused a decrease in the effective pay rate, in spite of the 1.5% increase in fixed pay rates.) While profit sharing payout for 2014 and 2015 are not yet known, it is estimated that they will be at least 10% each year.

777 Captain Rates + Profit Sharing

	FIXED PAY RATE	% PAY RATE CHANGE	PROFIT SHARING (% OF WAGES)	EFFECTIVE PAY RATE	% EFFECTIVE RATE CHANGE
APR 1999	$250.00	N/A	N/A	$250.00	N/A
JAN 2000	$265.00	6.0%	N/A	$265.00	6.0%
MAY 2000	$268.01	1.1%	N/A	$268.01	1.1%
MAY 2001	$280.07	4.5%	N/A	$280.07	4.5%
MAY 2002	$292.67	4.5%	N/A	$292.67	4.5%
MAY 2003	$305.84	4.5%	N/A	$305.84	4.5%
MAY 2004	$319.61	4.5%	N/A	$319.61	4.5%
DEC 2004	$215.73	-32.5%	0%	$215.73	-32.5%
JUN 2006	$185.53	-14.0%	0%	$185.53	-14.0%
JAN 2007	$188.31	1.5%	5.5%	$198.67	7.1%
JAN 2008	$191.14	1.5%	0%	$191.14	-3.8%
JAN 2009	$200.69	5.0%	0%	$200.69	5.0%
JAN 2010	$208.71	4.0%	6.52%	$222.32	10.8%
JAN 2011	$217.06	4.0%	4.85%	$227.59	2.4%
JAN 2012	$225.75	4.0%	6.67%	$240.81	5.8%
JUL 2012	$234.78	4.0%	6.67%	$250.44	4.0%
JAN 2013	$254.74	8.5%	8.26%	$275.78	10.1%
JAN 2014	$262.38	3.0%	10%*	$288.62*	4.7%*
JAN 2015	$270.25	3.0%	10%*	$297.28*	3.0%*

**Assumes 10% profit sharing for 2014 and 2015*

777 Captain Rates + Profit Sharing



Assumes 10% profit sharing for 2014 and 2015