



April 23, 2018

Fellow Delta pilots,

The Delta MEC met in Atlanta last week, primarily to discuss the upcoming Section 6 negotiations cycle (contract opens in April 2019) but also general Joint Venture (JV) related SCOPE and the specific challenges related to the Aeroméxico (AM) JV distribution of flying (i.e., production balance) negotiations. The Negotiating Committee briefing on the AM negotiations focused on the minimal progress over the past year. Significant disagreements remain in determining a reasonable distribution of the Delta/AM flying, both within the JV and globally. The wide gap between the Company and ALPA table positions has led the MEC and MEC leadership to the conclusion that the initial and current AM negotiating positions should be shared with the pilot group to highlight management's inability to address our concerns.

The AM JV negotiations extend more than a year, when in March of 2017, Delta and ALPA met for the first time to negotiate the Delta and AM JV production balance, pursuant to *Pilot Working Agreement (PWA) Section 1 E. 10*. This provision essentially requires Delta Air Lines and ALPA to attempt to reach an agreement on a production balance between Delta and their JV partners. While an initial table position is rarely a point of contention, the Negotiating Committee at the time had serious concerns with the inherent premise of the Company's position, specifically the fact that Delta had announced the intent to take a 49% ownership stake in AM, an airline sharing a common border with the United States and which costs 30% less to operate. The following table outlines the predominant issues relative to both the Company's and ALPA's current positions.

Position	ALPA Position	Delta Position	Explanation
Metric	ASMs or EASKs	Seat Departures	Must take into account stage length and cargo capacity
Qualifying Aircraft	>76 seats or 86,000 lbs.	95 or greater seats	Delta defined mainline aircraft should count in the production balance
Transborder Production Balance	43% DAL/57% AM	33% DAL/67% AM	ALPA position maintains current production levels and guarantees shared growth
Americas Growth	1:1	N/A	Company will not address equitable Americas growth
Global Growth	1:1	N/A	Company will not address equitable global growth
Hub-to-Hub Production Balance	37% DAL/63% AM	N/A	Company will not address Hub-to-Hub measurement

A few items of note:

- “Seat departures” has never been a metric used in *any* JV production balance. The norm has been ASMs (Available Seat Miles) or EASKs (Equivalent Available Seat Kilometers), both of which account for stage length and aircraft size. EASKs also include a cargo component.
- ALPA’s position is comprehensive and detailed:
 - Establish the then-current distribution of transborder flying as our baseline. (43% of ASMs).
 - Address the 49% ownership stake and share equally in the future growth of the two airlines via a 1:1 “Global” and “Americas” (North *and* South) growth balance.
 - Include all qualifying “mainline” type aircraft, defined as over 76 seats or 86,000 pounds and consistent with the PWA.
 - Establish cargo protections.
 - Remove an unreasonably onerous force majeure clause that would exempt the Company from compliance should U.S.-Mexico trade be reduced.
 - *Existing flying distribution at the time of JV inception, with equal growth going forward, is a fair production balance - for both sides.*
- The Company has responded by rejecting most of our proposal, instead insisting on a simple transborder production balance that does not address AM’s planned significant growth, or the 49% ownership stake that entitles Delta to a portion of profits from all Aeroméxico operations (not just transborder or codeshare flights).
- The main changes from the Company’s initial proposal to their current position (table above):
 - Inclusion of aircraft 95 seats or greater, which accounts for AM Connect E190 jets as they are **currently** configured.
 - Any reconfiguration to a Delta-style First Class/Economy Comfort configuration would likely bring these E190s below 95 seats and potentially drop them from the production balance measurement.
 - ***As a result of the inclusion of the E190 in the production balance, the Company lowered the proposed production balance from their initial offer of 35% (seat departures) to 33%.***
 - It is also noteworthy that the actual “seat departure” measurement of current transborder flying (approximately 45%) is significantly higher than the Company’s offer.
 - Restrictions to the number of Delta codeshare passengers allowed on non-transborder AM flights.
 - ***PWA Section 1 E.*** already contains provisions limiting codeshare for these segments.
 - No material protection for Delta pilots was gained as a result of this provision.
 - ***Note that the Company still derives a benefit from all AM revenue regardless of this restriction through its 49% ownership.***
- During the time period since March 2017, significant MEC and Negotiating Committee turnover has occurred. The current Negotiating Committee (since December 2017) has:
 - Offered the Company a fair proposal that maintains current flying, and an equitable share of future growth.
 - Met with the Company numerous times in an attempt to find common ground without success.
 - Requested updated data from the Company that was not received until months later.
 - Not countered the Company’s last position due to the vast differences in key priorities.
- The MEC unanimously supports the current ALPA position in the above table and believes that it is fair and reasonable to all of the parties involved.

The disconnect should be clear. While certainly the Company believes that some level of indigenous growth is in *the Company’s* best interest, strong contractual language is still necessary to protect the *interests of the Delta pilots*. Delta pilots must share in the benefits of Delta’s *global* network, as well as their partnerships.

The MEC has decided that a SCOPE informational effort is necessary. You may have already read the SCOPE communications published the past few months, and a more in-depth SCOPE campaign is beginning this week.

Local Council representatives, Negotiating Committee members, and volunteers will be in the lounges this week to distribute SCOPE-related materials and answer your questions in person. Besides this negotiating history relative to the AM JV, the Scope Compliance & Analysis Committee has also launched a new [website](#) that explains all **Section 1** limitations, JV production balances, and the status of existing JVs.

More communication will follow while the Negotiating Committee continues to stand ready to engage with management to reach acceptable agreements on an AM JV LOA, as well as other PWA points of contention discussed in last week's [MEC Update](#).

SCOPE cannot continue to be a concessionary section of our PWA, with the continuous insidious reduction in the breadth of our mainline international flying.

We can no longer afford to limit our priorities in these JV "production balance" LOAs to those which simply fit within the Company's existing business plan, especially when that plan doesn't include a reasonable distribution of flying for Delta pilots.

I'm certain that you all realize how much SCOPE matters to your career; thanks very much for remaining engaged and vigilant.

Fraternally,

A handwritten signature in black ink, appearing to read "Bill Bartels". The signature is fluid and cursive, with a small flourish at the end.

Bill Bartels, Chairman
Delta Master Executive Council