IMAGINE

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Negotiations between ALPA and Delta Air Lines management broke down Monday when pilot negotiators left the bargaining table protesting what they call “management’s term sheet.”

Delta spokesperson, Carla Roberts, said, “It is unfortunate that ALPA refuses to craft an agreement that meets the needs of all employees, our shareholders, passengers, and the economic climate that is changing our industry. We only want a fair and equitable agreement with our pilots, but if they choose not to engage, we will have no choice but to look to alternate sources of labor to meet the needs of our passengers and alliance partners.”

The Air Line Pilots Association, the union that represents the 8000 Delta pilots, issued a terse statement Monday evening. “We will not tolerate unilateral changes to our contract in the bankruptcy process and we will not be party to any negotiation when the law is being used, in a way not intended by the authors, to extort concessions. We are committed to flying our passengers to their destinations at a reasonable cost, but we cannot be expected to bankrupt every pilot at the airline, just so management can crow about “being competitive,” while they continue to pay themselves hundreds of millions of dollars in executive performance bonuses.”

The Delta pilot contract does not become amendable until 2017, but Delta has been plagued by high operating costs and a competitive environment that undercuts their traditional revenue base. Management has offered the pilots a contract that would keep them flying, but at greatly reduced pay and benefits, along with productivity enhancements found at its competitors. If the pilots refuse, Delta will file bankruptcy and have the pilot contract voided or amended to their needs in bankruptcy court.

“It’s a choice between striking a deal for all our employees, “ said Roberts, “or we must go to bankruptcy again to seek relief from these burdensome labor contracts. The marketplace has spoken and our pilots are out of touch with the reality that has befallen our industry. We wish it were not so, but wishing isn’t going to get us where we need to be.”

Delta and Southwest are the only two major carriers not to fully reorganize from the traditional “legacy” carrier model to the newer model of “contract” carrier as now operated by former legacy giants United, Continental, American, and US Airways.

Contract carriers use a model similar to the “general contractor” model used in the building industry, where the larger carrier is a conglomeration of highly networked smaller airlines that fly on a contract basis at greatly reduced cost to the larger airline. This provides both cost savings and legal protection from any maintenance or operational disaster that may occur at one of the smaller contract carriers, as the smaller carriers assume all legal liabilities for their operations. They are also able to take advantage of the lower labor costs at the smaller airlines, as those pilots work for lower pay and almost no benefits while the airlines themselves undercut one another for partnership agreements with the general contracting airline. Typical annual pay for a first year pilot at the smaller carriers is under $20,000, and captains makes just under $50,000, which is about 1/3 the cost of what Delta and Southwest pay their crews. Turnover is very high, and accidents are becoming more frequent as experience and training are subordinated to competitive pressures.

Delta management denies that they have been trying to outsource the flying by Delta’s mainline pilots over the past 20 years, but admit that they will look toward their alliance partners and codeshare airlines to fill the gap left by striking Delta pilots. Approximately 38% of Delta’s flying is done by their mainline pilots who, on average, have 28 years of flying experience in both commercial and military aviation.

Recently, ALPA has objected to the continued erosion of their lucrative international flying to foreign pilots that are paid far less than their American counterparts. Two years ago, Delta’s alliance partners were awarded 80% of the trans-Pacific flying that Delta acquired from Northwest in an earlier merger. ALPA filed a grievance for a violation of their scope clause, which protects the flying at Delta Air Lines for Delta pilots, only to be told that the scope protections Delta pilots had prior to the merger did not apply to flying acquired from Northwest Airlines. Domestic codeshare airlines are now flying 75% of all departures from Atlanta, Cincinnati, Salt Lake and Minneapolis.

2013 was the year United pilots were frustrated with the pace of contract negotiations and elected to strike. After 48 hours, United management locked-out the striking pilots and contracted all domestic short-haul flying to its United Express partners, while contracting with foreign air carriers in the Star Alliance to fly the international routes.

One week later, Congress passed the "Keep America Flying Act of 2013" where foreign carriers could fly point-to-point within the United States, allowing the rest of United's flying to be contracted to European, Latin American, and Asian airlines, whose safety record is far worse than those flown by major US airlines. This was made possible because US law has allowed pilots to fly inside the United States to the age of 65, rather than 60, which brought it into parity with foreign regulations on pilot age limitations. The act also gave financial assistance to United, which was deemed "too big to fail," and subsidies to foreign carriers to divert flying in their home markets to the United States.

Training, standardization, maintenance, and safety protocols were temporarily waived on an emergency basis to minimize the disruption. Those "temporary" waivers are still applicable to foreign carriers. The Secretary of Transportation is expected to issue a fourth extension of the waiver in mid-August despite the recent crash of Continental codeshare partner A-320 in March. Aero Aguila crashed on takeoff at Newark Liberty Airport. The cause is still under investigation, and is widely believed to be due to pilot error brought on by fatigue and the misunderstanding of the clearance issued by ATC. The Mexican commuter carrier's pilots had flown up to the maximum allowed by federal law, and were in their last hour of their ten hours of "hard time" as allowed by the increased fatigue rules issued by the DOT in 2010. US investigators have no official cause because foreign carriers are exempt from the strict pilot training and proficiency record keeping requirements of domestic carriers, such as Delta Air Lines.

Within nine months of the United strike, management teams at Continental, American, Alaska and USAirways followed suit by imposing what pilots call "term sheets" on the pilot unions. All those carriers have reorganized as "virtual" airlines with pilots now making about one third of their former earnings. Continental pilots tried to negotiate, but ended up taking the "term sheet" as given. Alaska pilots struck and were replaced by codeshare airlines. American Airlines pilots attempted a work slowdown but a federal judge jailed their entire union leadership and fined individual pilots $2000 per day for non-compliance with the published schedule. US Airways pilots had their contract voided in bankruptcy court.

Non-union airlines fared no better than their unionized counterparts. JetBlue, Virgin America, FunJet, and Great Plains Airlines all cancelled employment contracts and offered to rehire pilots to fly for subsidiary airlines at prevailing rates.

“It looks like Delta pilots have reached the end of the careers they imagined decades ago when they started flying,” said Eduardo Monteforte, an airline industry analyst and consultant at The Monteforte Group in Miami. “They can threaten a strike, but the Administration is dedicated to keeping ticket prices low and competition high. If they strike, they are just walking into the snare that the government and industry have set for them. They must choose between two bad options. This will leave Southwest as the only “legacy” carrier, and that won’t last much longer as the best management in the world is no match for kids flying subsidized A-319s and E-190s for $1800 per month in a market served by B-737 pilots making four to five times as much.”

“I really don’t know what I am going to tell my wife and daughters,” said an unnamed Delta 767 first officer in Atlanta. “I’ve been telling them all along that we have seen the worst and we are coming out of this mess. My wife is working two jobs, and with the pay cut we took last year to keep our flying, we just can’t pay the bills. If we strike, we are defeated. If we accept surrender, we can’t make a living. Four years at the Naval Academy, a Master’s degree, and 28 years of flying experience, including two wars will mean absolutely nothing. I will have to start over. If only we had done something about this when we had the chance. We were so preoccupied with putting each other out of business and taking the other guy’s flying, we put ourselves out of business and now we are going to fly nothing.”

Shares of Delta Air Lines (DAL) rose 8.2% to $6.74.