

Dots on a Map Podcast

“JV Negotiations Explained”

Episode 2 Show Notes

Intro

- Brent Allen, chairman – Scope Compliance and Analysis Committee, sits down with Negotiating Committee Chairman Chad Smith and Negotiating Committee member Brandon Conwill for a discussion on how joint ventures have been negotiated in the past and a look at future negotiations surrounding the Aeroméxico JV

What protections have been negotiated in the past?

- Each JV is different and therefore the contractual language surrounding each JV is unique
- **PWA Section 1 P.** Delta/Air France/KLM/Alitalia Joint Venture (transatlantic JV):
 - The balance of flying is measured in EASKs (Equivalent Available Seat Kilometer – a measurement of capacity adjusted for an aircraft's seat density and cargo capacity)
- **PWA Section 1 R.** Virgin Atlantic Joint Venture:
 - Delta must fly a minimum number of U.S. to LHR operations every year, independent of how much or how little Virgin Atlantic flies
 - Additionally, partly due to Delta's 49% stake in Virgin Atlantic, a growth metric was put in place:
 - If Virgin Atlantic grows and adds widebody flying anywhere in the world, it is captured via this growth metric
 - While this only captures widebody flying, currently Virgin Atlantic's entire fleet is composed solely of widebody aircraft (roughly 40 aircraft)
 - Delta must fly a minimum percentage (between 66.57% to 69.46%) of the combined Delta and Virgin Atlantic International Twin Aisle ASKs (Available Seat Kilometers)

What about Aeroméxico?

- Negotiations have been ongoing for over a year
- This particular JV has several unique concerns for the Delta pilots:
 - Common border
 - Close proximity of Aeroméxico's largest hub, Mexico City (MEX)
 - Delta's 49% ownership stake of Aeroméxico
 - Aeroméxico costs about 30% less to operate
 - Delta's promotion of Mexico City as its “Texas Hub”

Where are we now?

- The Delta MEC has determined their table positions for the on-going negotiations; the Company has pushed back against all table positions

Metrics

- ASMs or EASKs vs. Seat Departures
 - “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

Aircraft size?

- Mainline-to-Mainline production balance
 - >76 seats or >86,000 lbs.

Production Balance

- 43% Delta vs 57% Aeroméxico
 - Why only 43%? - That is historically the amount of transborder flying Delta was doing prior to the JV with Aeroméxico
- Growth
 - Americas growth and global growth protections
 - There is significant growth opportunity in Latin America and Delta pilots should have an equitable share of that growth
- Hub to Hub Balance Protections
 - 37% Delta vs 63% Aeroméxico

On the next episode of “Dots on a Map,” we discuss Blue Skies on the Horizon, the transatlantic joint ventures – stay tuned! To listen, search “Dots on a Map” in your podcast app or, if you’re on an iPhone, follow this link from a mobile device. Dots on a Map is a Delta MEC podcast series about scope topics. Every episode is also available on DALscope.org.