Rob Kight
Vice President
Compensation, Benefits & Services

Delta Air Lines, Inc.
P.O. Box 20706
Atlanta, GA 30320

March 3, 2008

An Open Letter to the Board of the DALRC

I read with disappointment the "Top Ten Issues" memo that the DALRC published to its members in advance of its rally in Washington DC. For the benefit of all Delta retirees and survivors, I believe it is important to address what Delta believes are misleading or inaccurate statements in this document.

Here are the questions the DALRC asked and our answers to them:

1. **The Non-Pilot D&S Trust (The Disability & Survivor Trust) How safe is it and how long will it last?**

The facts are that Delta did not change any of the benefits provided to retirees and survivors under the D&S Plans during our bankruptcy - the most financially bleak period in our history. These benefits – which include retiree life insurance, disability payments and monthly survivor income payments – continue to be paid as they were prior to the bankruptcy. We have repeatedly said that we have no intention of changing these benefits in the future whether or not the trust that pays them has excess assets (see our answer to Question 2 for more on this). We have also repeatedly said that we will only consider a merger if it results in a stronger company, which of course will increase our ability to meet these and other obligations – not weaken them.

DALRC implies, with absolutely no basis to back it up, that because Northwest Airlines has no D&S Trust, a potential merger between Delta and that carrier would somehow make Delta more inclined to alter these benefits. That simply isn't true. One likely reason Northwest never set up a separate trust is that Northwest has never provided any monthly survivor income benefit to its employees or retirees. In fact, throughout the entire industry, Delta is the only carrier that we know of to have ever provided such a benefit to it employees and retirees.

2. What about the Pilot D & S Trust, Is it Safe?

The fact that there is a trust with funds in it to pay certain D&S Plan benefits – whether for pilots or non-pilots – has no effect on Delta's profit and loss picture. The way accounting rules work, we still record payment of all benefits from either of the D&S Plans as an expense to Delta Air Lines. Why is this important? Delta must always take into account the expense associated with these benefits when building its operating plans. As a result, there is no unexpected expense that will suddenly pop up when either D&S Trust gets to a point of no longer having a surplus of cash. For example, money to pay the medical benefits for all active and retired employees – both pilots and non-pilots – run through a separate set of trusts. Those trusts historically have had little if any surplus of cash in them. Delta funds these trusts routinely once a month or more in order to pay benefits as they come due. If and when the D&S Trusts no longer have surplus cash in them, we will do the same for the benefits payable from those plans as well. The bottom line is that Delta has always planned for the expense of the benefits payable from the D&S Plans, and we have no intention of changing those benefits whether or not there is surplus cash in the trusts.

Life insurance, disability and survivorship benefits are critical benefits that support families in the worst of times. Delta knows that; over the years we have provided the industry's most comprehensive benefits for covering those situations; and Delta did not touch those benefits for retirees and survivors in our darkest financial hour. A merger would provide no reason for Delta to change our stripes suddenly and begin attacking these very important benefits.

3. Delta has promised bankruptcy claims for lost medical benefits; when will I receive my additional money since a portion of the claim I received remains outstanding? I understand that Northwest Airlines employees have already received their total bankruptcy claims for their medical, prescription drug and dental coverage.

As Delta has made clear to the DALRC leadership many times in the past, it is currently not knowable when the final distribution, if any, on Delta's bankruptcy claims will take place. A far as we know, neither US Airways nor United have paid their final distributions yet, despite having exited bankruptcy long before Delta. What is certain is that Delta will fulfill its obligations to pay its claims when the required process of settling all outstanding claims is complete. Only then will we be in the legally required position of knowing what the final total of all claims were, and only then can we complete the process of making any further distributions that may or may not be required. We don't publish "progress reports" on the status of the remaining unsettled claims because these are confidential negotiations and to do so would impair our ability to negotiate them effectively for the benefit of all claim holders. What has been reserved is not cash but stock since stock is the primary currency in which claims are paid. All retiree "cash only" claims in our case have been settled in full already.

Again, the DALRC points to Northwest as being different from Delta in this respect. They are different and here is why. Northwest's 1114 Committee representing their retirees took a different approach than Delta's 1114 Committees. The Northwest 1114 Committee decided to use the collective claims of all retirees to support their non-pilot retirees in the payment of premiums for health insurance going forward. In other words, in their case, individual retirees did not receive individual claims. The 1114 Committee negotiated a single claim on behalf of all retirees and then sold that claim to a third party financial institution (which is why they got their total value from their claim at one time). They took the proceeds of that sale and put it into a Voluntary Employee Benefits Association or VEBA – similar to the Hardship Fund that Delta's non-pilot 1114 Committee created and Delta funded. While they last, those funds are being used to provide subsidies for Northwest retirees to reduce their health insurance premiums (See Question 5 for more on this point).

4. What will happen to the "Over 65" subsidy for Delta Retirees in the event of a merger with Northwest?

Again, the DALRC has chosen to make baseless claims that a merger would "change all that" and that the "Over 65" subsidies we are providing would "likely be lost". The only rationale provided is that Northwest "never had any "Over 65" insurance programs." Delta did for years and even subsidized it for both pilots and non-pilots until the fundamentals of our business changed so dramatically that we could no longer afford to do so. When faced with that painful reality, Delta made only the changes that were absolutely necessary. We continue to pay substantial subsidies to retirees – both pilot and non-pilot alike – and we intend to keep doing so for years to come. We reached these agreements mutually – with both the pilot and non-pilot 1114 Committees – addressing as best we could the differing priorities that each 1114 Committee brought to the process.

5. How does the "Under 65" Delta insurance program differ from what they have at Northwest since we both just came out of bankruptcy and both went through the 1114 process?

DALRC's discussion about the premiums that Northwest retirees pay versus those that Delta's pay is very misleading. The DALRC quotes some very low premiums that Northwest retirees are paying. What they don't say is that those premiums are not what Northwest charges for its retirees. The premiums quoted by DALRC are the remaining costs to the retiree after the subsidies provided by their 1114 Committee's VEBA (refer back to our discussion in Question 3). To compare these premiums costs to Delta's is like comparing apples and oranges. The Northwest 1114 VEBA subsidies, paid for with the collective claim dollars of all Northwest retirees, will likely run out at some point. When they do, all Northwest retirees will fall into one of two groups – those who pay 100% of the cost of their coverage and those who pay 50%. Even today, Northwest pilot retirees are paying either 50% or 100% and any ground retiree who is ineligible for a Company subsidy is paying 100% because they are not eligible for the 1114 VEBA subsidies.

At Delta, the right comparison for the low Northwest premiums the DALRC quotes is our under 65 non-pilot retirees and survivors who are eligible for a company subsidy. Among this group, the most that any one pays is 35% of the cost of Delta's retiree coverage. Without the subsidies paid by the Northwest 1114 VEBA and even with the difference in how rates are calculated that DALRC references, the costs that Delta and Northwest charge for retiree coverage are within a few dollars of each other at each coverage tier. If the DALRC wants to draw an apples to apples comparison including the Northwest 1114 VEBA subsidies, then it must take the value of the individual 1114 claims provided to Delta retirees who were and remain eligible for a subsidy from Delta (these are generally the individuals who received some of the larger 1114 claims) and assume that those amounts are used 100% to offset future premiums under Delta's pre-65 medical programs.

Another important point – the DALRC makes the assertion that retired pilots at Delta have their premiums calculated based on a pool that includes the experience of both active and retired pilots, with the implication that pilot retirees are treated better than non-pilot retirees in this respect. This is absolutely false. As the 1114 Committee was informed during that process, pilot retiree premiums are calculated based on an experience pool that includes only Delta retirees. In this regard, those who were represented by a union and those who were not were treated just the same. The information provided by the DALRC is misleading and just plain wrong.

Certainly there are plan design differences between the two plans. The DALRC talks a lot about the difference in the prescription drug plans implying that Northwest has a "three tier" plan with lower co-pays and that Delta shifts costs to retirees by moving drugs to our fourth tier. What they don't mention is that Northwest has a "mandatory generic" program. What does this mean? If a Northwest retiree chooses to take a brand name drug for which a generic exists, for example Zocor, then the retiree will pay 100% of the difference in cost between Zocor and its generic equivalent (Simvastatin) plus the generic copay. This structure would result in a Northwest retiree choosing to take Zocor paying about $130 for a 30 day supply of 40 m.g. tabs. Under Delta's plan for 1114 retirees, someone who chooses Zocor would pay $50 for the same prescription. As for prescription drug co-pays, Delta's plan for 1114 retirees is $5 cheaper than Northwest in the first tier, equal for the second tier and $5 more for the third tier. Also, Northwest does have a "fourth tier" – they just call it "Lifestyle Drugs". Currently, the only drugs in the Lifestyle Tier are erectile dysfunction drugs, though there is the possibility that other drugs can be moved to this category in the future.

For any Lifestyle Drug a Northwest retiree will pay seventy percent of the cost with no maximum on that amount. Delta's fourth tier for 1114 retirees also includes erectile dysfunction drugs (though at much less cost). In addition we include in this tier three other classes of drugs – Cox-2 Inhibitors and NSAIDS, Proton Pump Inhibitors and Non-Sedating Antihistamines. The drugs we have placed in the fourth tier are heavily marketed drugs and for every one of them there are much lower cost alternatives available either over-the-counter or in a lower tier. These alternatives have been judged by pharmacological experts throughout the country to be equivalent to the drugs we have placed in the fourth tier in terms of their therapeutic value.

Finally, one other important difference that the DALRC did not mention is that Delta allows retirees to opt out of and back into coverage from year to year without restriction. This option provides our retirees and survivors valuable flexibility to, for example, access subsidized medical from a spouses employer, from another job or even from an individual policy, for a few years and then still come back to Delta's plan – with no pre-existing condition limitations or evidence of insurability requirement – at any time before reaching Medicare age. This is something else we did not change during bankruptcy. Northwest doesn't allow this unrestricted access to retiree medical coverage. If a Northwest retiree ever decides not to take their retiree medical, there are real restrictions on their ability to ever get back in the plan. The result? Northwest has far fewer retirees who participate in their pre-65 medical program and thus the total dollar amount that Northwest spends on retirees is a fraction of what Delta spends on healthcare for our retirees and survivors.

6. Why do we need assurances about our benefits?

DALRC's answer in this case is again misleading. Delta pilot retirees covered by the 1114 agreement have no say at all in what the plan design of their medical plan will ultimately be. Conversely, because it was important to the non-pilot 1114 Committee, the Company specifically agreed to limit plan design changes to the non-pilot plan for a certain time. The changes to plan design that occurred for 2008 were less than what would have been allowed under the agreement the 1114 Committee struck.

However, DALRC's entire discussion of changing plan design misses the point. Had we not changed the plan design at all this year, the only result would have been that the premium increases would have been higher. Due to annual medical cost inflation, without plan design changes, the total cost of the plan would have been higher, and thus the cost paid by the retiree would have been higher.

Delta has met and will continue to meet all the commitments we made during the bankruptcy process and whether or not we participate in a merger does not change that.

7. Will a Merger affect our Pass Benefits status?

The DALRC's answer here is interesting. It calls Northwest's Europe service "minimal" (which Northwest would likely dispute) but ignores the fact that such a merger would open up vast access to the Pacific to Delta's customers and non-rev's alike.

8. Is there anything being done to try and recover some of the money lost in taxes on bankruptcy claims with regard to receiving claims for losses experienced in "Non-Qualified" benefits?

Delta supports the same legislation referenced by the DALRC.

9. Do I really need me to come to Washington? I have a lot to do and would prefer to just stay home and send an email and note of Thanks to others for taking their time to go!

This is a choice each of you will make on your own.

10. Will we be provided higher priority passes to travel to Washington?

Retirees are, of course, free to use their pass benefits, including the ZED fares we recently introduced, to travel anywhere in the world that Delta and its interline partners go, including traveling to Washington to attend this DALRC rally if they choose.

In closing, let me say that it is true that Delta's retirees and survivors did make sacrifices during our bankruptcy – just as did active employees and every other Delta stakeholder. As we have with all stakeholders through the process of our restructuring, we have treated retirees with dignity and respect throughout the process and their sacrifices are very much appreciated. While a merger poses no risk that we can see for retirees, as we go forward we will take the same approach and continue to consider issues important to our retirees, whether or not industry consolidation occurs.

Sincerely,

Rob Kight
Vice President – Compensation, Benefits & Services