

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:) **Chapter 11**
)
UAL CORPORATION, et al.,) **Case No. 02-B-48191**
) **(Jointly Administered)**
) **Honorable Eugene R. Wedoff**
Debtors.) **Docket under 02 B**

APPENDIX C

**PROPOSED CHANGES TO
ASSOCIATION OF FLIGHT ATTENDANTS (AFA)
AGREEMENT FOR FLIGHT ATTENDANTS**

Dated: March 17, 2003

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**PROPOSED CHANGES TO ASSOCIATION OF
FLIGHT ATTENDANTS (AFA) AGREEMENT FOR FLIGHT ATTENDANTS**

For the convenience of the Court, set forth below is a table of the changes that United Air Lines (“United” or the “Company”) proposes to make to its collective bargaining agreement with the Association of Flight Attendants (“AFA”) and the value United has assigned to each of those proposals.

Summary of Proposed Changes for Flight Attendants

\$ Millions ¹	Over Six Years	
	Average Annual Savings ²	Total Aggregate Savings ³
Compensation		
Eliminate Scheduled Increases to Purser and Language-Qualified Premium Pay	0.6	3.8
Reduce Domestic and International Pay Scales	44.7	268.3
Eliminate Scheduled and Assumed Pay Increases for Domestic and International Flying ⁴	33.8	203.1
Eliminate Scheduled Lump Sum Payments	14.3	86.1
Reduce Purser Premiums	0.5	3.3
Eliminate Ground Pay Override	4.5	26.8
Eliminate Cost of Living Adjustments (“COLAs”)	7.9	47.5
Modify Understaffing Pay Standards	0.7	4.4
Reduce Reserve Override	0.4	2.4
Eliminate Override for Layovers in Cities with High Costs of Living	2.4	14.3
Modify Application of Scheduled versus Actual Time (with	5.7	34.4

¹ N/A represents items subject to change in order to afford United the flexibility to respond to market forces, effectuate business plan objectives, and eliminate obstacles to realizing savings from other contract changes.

² The reported figure is the average annual savings for the six calendar years 2003-2008, *i.e.*, from January 1, 2003 through December 31, 2008. Note that the analysis assumes no savings in the first two months of this period.

³ The reported figure is the total savings associated with the proposed contract changes through December 31, 2008. Because United’s proposal is six years in duration, the proposal would remain in effect and continue to generate additional savings into 2009.

⁴ The valuation of eliminating wage increases includes the value of eliminating contractual wage increases and the value of eliminating post-contractual assumed wage increases.

\$ Millions ¹	Over Six Years	
	Average Annual Savings ²	Total Aggregate Savings ³
End-of-Month Offsetting)		
Reduce Hourly Per Diem	3.1	18.6
Reduce Paid Holidays	11.5	69.2
Management Flexibility		
Low-Cost Carrier Competitive Solution	N/A	N/A
Revise Scope Side Letter	N/A	N/A
Revise Furlough Protection Provisions	N/A	N/A
Work Rules, Productivity, and Efficiency		
Increase Maximum Hours for Lineholders and Reserves/Increase Lines of Flying Averages/Eliminate 65-Hour Minimum	8.9	53.2
Last Quarter Maximum	0.1	0.4
Expand Definition of Domestic Flying	3.4	20.3
Decrease International Layover Minimums	4.4	26.4
Modify Duty Times and Ratios in Guarantee (“RIGs”)/Revise Other Scheduling Restrictions	10.5	62.9
Modify Reassignment Restrictions	2.4	14.4
Permit Moving of Certain Reserve Days Off	4.4	26.5
Eliminate Guaranteed Personal Time Off for Reserves	0.9	5.5
Create a Combined Reserve Pool	5.0	30.2
Modify Layover Hotels Provision	5.8	34.7
Modify Open Flying Assignment Process	0.8	4.8
Revise Monthly Bidding Process	5.1	30.9
Eliminate Vacation Overlap	21.1	126.8
Eliminate Bulk Scheduling	0.5	3.2
(Severance and Other One Time Charges)	(1.3)	(8.3)
Benefits		
Impact of Uniform Benefits Plan	109.9	659.4
Modify Company-Paid Union Time	1.3	7.6
Total	313.5	1,880.7

I. INTRODUCTION

This appendix describes United’s proposed changes to its collective bargaining agreement (“AFA CBA”) with AFA, the union that represents United’s flight attendants. This

appendix also sets forth United's rationale for each of its proposed changes to the AFA CBA.⁵ (The AFA CBA is attached as Exhibit 400, and United's "Term Sheet" proposal to the AFA is attached as Exhibit 401.)

United's proposals include modifications to work rules, compensation, and benefits, as well as to management flexibility provisions. Modifying the work rules, compensation, and benefits as proposed by United will produce a total savings of \$314 million on an average annual basis, or approximately \$1.88 billion as a total aggregate over a six-year period.⁶ In addition to these savings, the proposed modifications to management flexibility provisions will allow United to compete in the rapidly changing airline industry and capture vital additional revenue.

On the one hand, United's proposed changes will achieve the cost savings, productivity increases, and revenue opportunities necessary to successfully emerge from bankruptcy without, on the other hand, significantly diminishing the quality of work life currently enjoyed by United flight attendants. Ahmes Decl. ¶ 4. Criteria such as the number of days worked, the number of days off at home base, and the average length of the duty day will not be significantly adversely affected by United's proposed contract changes. Ahmes Decl. ¶ 4.

Compensation. United seeks the following modifications to the compensation provisions contained in the AFA CBA:

- Eliminate scheduled increases in premium pay for pursers and language-qualified flight attendants.

⁵ Factual information in this Appendix is supported by the Declaration of Charles L. Ahmes ("Ahmes Decl."), Exhibit 402, the Declaration of Frank R. Colosi ("Colosi Decl."), Exhibit 403, and the Declaration of Scott K. Brandt ("Brandt Decl."), Exhibit 404.

⁶ Where the proposed cost-savings changes are interrelated, they have been valued together, which avoids any double-counting of savings.

- Reduce the domestic and international pay scales by nine percent.
- Eliminate scheduled increases in the pay rates for domestic and international flying and substitute annual percent raises for the years 2004-2008.
- Eliminate two five-percent scheduled lump sum payments.
- Eliminate or modify special pay premiums for ground pay for time in the aircraft prior to departure, cost-of-living adjustments (“COLAs”), understaffed aircraft, reserve duty, and the per diem allowance associated with layover cities with high costs of living.
- Offset the amount of time by which a flight attendant’s flights actually operate over the time scheduled with the amount of time by which her/his flights actually operate under the time scheduled on a monthly basis.
- Lower the per diem expense allowance to \$1.75 per hour for domestic flying and \$2.00 per hour for international flying.
- Reduce the number of paid holidays from 10 to 3.

Management Flexibility Changes. United proposes the following changes to the AFA CBA to permit it the flexibility necessary to emerge from bankruptcy as an industry competitor:

- Modify the AFA CBA’s scope clause to permit United to take advantage of business opportunities, primarily the creation of a low-cost product that will expand United’s markets and enable it to compete with low-cost carriers such as Frontier, JetBlue, and Southwest.
- Eliminate the side letter requiring United to recognize AFA as the exclusive bargaining representative at any Part 135 carrier United acquires or develops.
- Revise furlough protection provisions to eliminate the requirement that United offer the option of voluntary furloughs with medical, dental, and travel benefits and seniority accrual.

Work Rules, Productivity and Efficiency. United seeks the following modifications to the work rules contained in the AFA CBA:

- Increase by five the maximum number of hours that United may schedule a flight attendant to work each month.
- Increase by five the average number of hours in flight attendants’ monthly flight schedules.

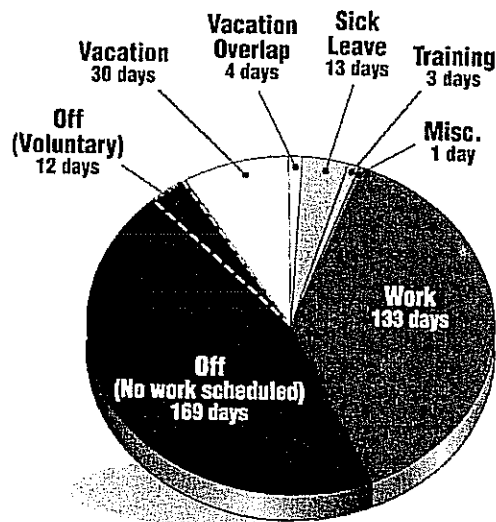
- Eliminate the guaranteed monthly minimum of 65 hours of pay for lineholders while retaining full line guarantee.
- Expand the definition of domestic flying to be consistent with the definition contained in United's contract with its pilots.
- Modify international layover requirements.
- Revise ratios-in-guarantee ("RIGs"), which guarantee flight attendants a certain number of paid hours in proportion to the length of a trip or duty period, thus requiring United to pay flight attendants for hours not actually worked, and other scheduling restrictions.
- Relax restrictions on reassigning flight attendants.
- Allow United the flexibility to move, with advance notice, four of the twelve days reserve flight attendants have off each month.
- Eliminate guaranteed Personal Time Off ("PTO") for reserves.
- Combine international and domestic flight attendant reserve pools.
- Modify the requirement that United lodge flight attendants at downtown hotels.
- Replace flight and duty time limitations with more reasonable restrictions and modify rest requirements to be more closely aligned with pilot requirements.
- Allow United to assign open flying to reserve flight attendants instead of requiring United to give regular lineholders first preference to pick up open time at greater cost to United.
- Implement a Preferential Bidding System and modify the flight attendant bidding process in the interim.
- Eliminate the vacation "overlap" that allows flight attendants to take off – and be paid for – any trip that overlaps a single day of the vacation period, thus allowing flight attendants effectively to increase their paid vacation hours by up to 50%, and provide instead that United will pay flight attendants a fixed value per vacation day.
- Eliminate the requirement that United create schedules that contain a certain number of "bulk" lines in which an entire month's worth of flying is concentrated in half of the days of the month.

Benefits. United proposes the implementation of the Uniform Employee Benefits described in Appendix A, as well as (1) elimination of the requirement that the flight attendants receive any improvement in vacation accrual that United's salaried and management employees

obtain, and (2) elimination of the requirement that United pay the AFA flight pay loss to reimburse flight attendants for time spent engaged in union-specific business.

Given its dire financial condition, United has little choice other than to implement changes that will improve flight attendant productivity and eliminate some of the aspects of the AFA contract that have been exploited. Exhibit 409 shows an average flight attendant's work life on both an annual and monthly basis, taken from actual flight attendant population statistics for the year 2002. Colosi Decl. ¶ 29. The excerpt of Exhibit 409 below demonstrates that the average flight attendant works just 136 days a year, has 59 days off as a result of vacation, sick leave, or voluntary time off, and is not scheduled to work at all on 169 days. Colosi Decl. ¶ 29.

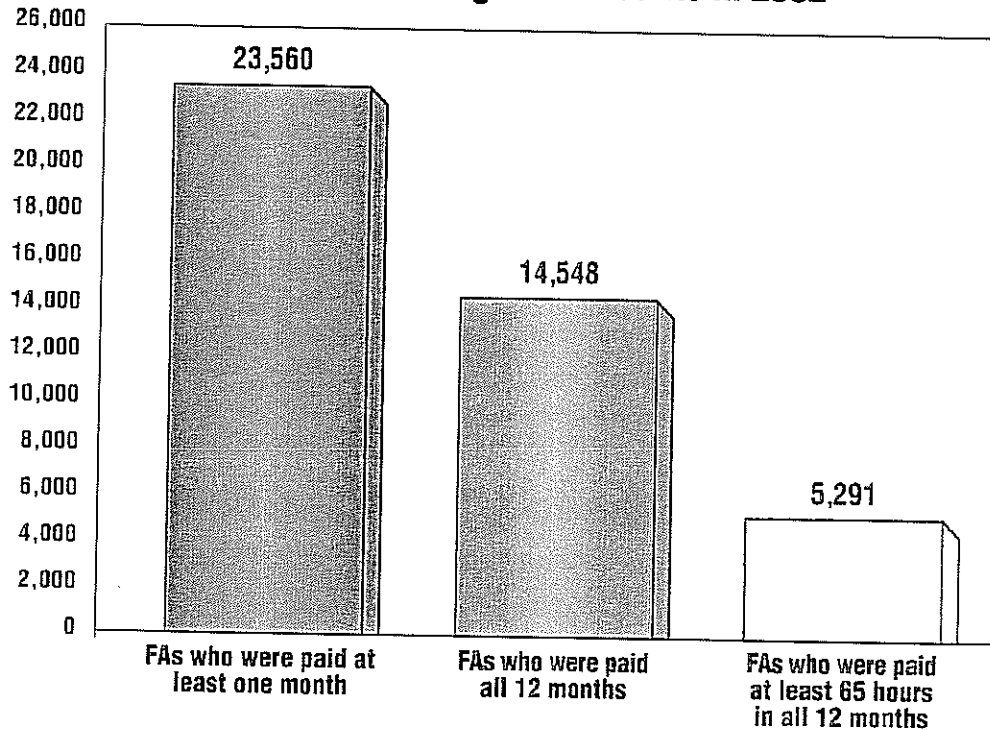
Exhibit 409 (excerpt)



Flight attendants who choose to work full-time schedules are compensated fairly and have earned a good living at United: in 2002, the average pay for those who received at least 65 hours of pay in each month exceeded \$47,000, and more than 2,500 United flight attendants were paid \$50,000 or more. Ahmes Decl. ¶ 17. The problem rests with the inefficiencies created by the large number of flight attendants who, month in and month out, do not fly much, if at all, but who collect generous benefits. These inefficiencies cannot continue. United wishes to employ its flight attendants in a more efficient manner, and its proposal would enable it to achieve this efficiency, while freeing flight attendants to work more to ease the impact of United's proposed hourly wage and benefits cuts.

Exhibit 410, below, illustrates the effect of the current system. 23,500 flight attendants worked for (and received pay from) United at some point in the year 2002. Colosi Decl. ¶ 30. Of that number, only 14,500 flight attendants worked, or were otherwise entitled to receive pay (e.g., paid vacation) in all 12 months of 2002. Colosi Decl. ¶ 30. Fewer than 5,300 of those flight attendants received 65 hours of pay -- the minimum amount of monthly pay guaranteed to them under the AFA contract -- in all 12 months of 2002, meaning that there was at least one month during that year when the rest voluntarily worked below the amount of hours required to be paid the 65-hour minimum pay. Colosi Decl. ¶ 30.

**Exhibit 410
Number of Flight Attendants in 2002**



II. COMPENSATION⁷

A. Eliminate Scheduled Increases in Premiums for Purser and Language-Qualified Flight Attendants.

Flight attendants who hold the position of purser on domestic narrowbody flights receive a pay premium of \$2.25 per hour. (AFA CBA 5.B.1.) This narrowbody aircraft

⁷ Several compensation provisions in the AFA CBA already are moot or would become moot as a result of United's proposed changes. For example, the side letter intended to determine flight attendant compensation is mooted by these changes. (AFA CBA Letter at 264-69.) Likewise, the CBA contains a second side letter providing that any pay increases contained in the first agreement following the 2001-2006 Agreement shall be effective no later than March 1, 2006 or shall be retroactive to March 1, 2006. (AFA CBA Letter at 291.) This side letter is also obviated by the changes United seeks, and its terms are inconsistent with the economic necessities underlying United's proposed changes. Finally, the AFA side letter establishing an "A" scale of hourly pay rates is no longer relevant since all flight attendants would be on a common pay scale. (AFA CBA Letter at 224-25.) Thus, United proposes that these three side letters be deleted.

domestic premium for pursers is scheduled to increase to \$2.50 on August 1, 2003. United proposes to cancel this *increase*.

Language-qualified flight attendants (those who speak a language in addition to English) receive a pay override of \$1.75 per hour if they are assigned a language-qualified position. Flight attendants who are language-qualified but are not working in the designated language-qualified position receive an additional \$1.00 per hour. Both language premiums are scheduled for a \$0.25 per hour increase on August 1, 2004. (AFA CBA 5.P., 12.C.7.i., 12.C.7.I.) United proposes to cancel these *increases*.

Rationale for United's Proposal. At \$2.25 per hour, United's current narrowbody domestic purser premium pay is already among the highest in the industry.⁸ Colosi Decl. ¶ 4. After United's proposed reductions, flight attendants will still have a significant financial incentive to assume the additional responsibilities of being a purser. United also would remain competitive after canceling the increase to foreign language pay overrides. Under United's proposal, flight attendants would receive a reasonable premium for certain language skills that is equal to or greater than the rates paid at many other major carriers, whose premium pay for language-qualified positions ranges from \$1.00 to \$2.50 per hour. Colosi Decl. ¶ 3. By eliminating the scheduled increases to the domestic narrowbody purser pay and the language-qualified premiums, United will obtain cost savings while the flight attendants holding these positions will continue to receive the significant pay premiums that currently apply. Ahmes Decl. ¶ 17.

⁸ Only Delta, at \$2.75 per hour, pays more. Colosi Decl. ¶ 4. Like United, Northwest and US Airways pay \$2.25 per hour. American and Continental pay \$1.25 and \$2.00 per hour, respectively. Among non-major carriers, Southwest pays \$2.00 per trip, ATA pays \$2.00 per hour, and Airtran and JetBlue pay no premium. Colosi Decl. ¶ 4.

B. Reduce Domestic and International Pay Rates.

United proposes reducing the pay rates for domestic and international flying by nine percent, and reducing the domestic and international purser premiums by nine percent. In addition, United proposes eliminating the two percent wage increase presently scheduled to occur on March 1, 2004. Instead, United proposes that the rates be increased by one and a half percent annually for 2004 through 2008.

Rationale for United's Position. In order to successfully reorganize, United needs the cost savings provided by the proposed pay scale reductions. The nine percent cut is the lowest wage reduction sought of any employee group, which reflects the fact that (1) flight attendant wage rates were not as far above the market as other United employee groups, such as its pilots and mechanics, and (2) United is able to obtain the necessary savings from enhanced productivity and the other compensation items discussed in this appendix.

C. Eliminate Scheduled Lump Sum Payments.

On March 1, 2003 and March 1, 2005, each flight attendant is scheduled to receive a lump sum payment equal to five percent of her/his earnings for the prior calendar year. (AFA CBA 5.Q.; Letter at 224-25.) United can no longer afford to make these payments and proposes eliminating them.

D. Eliminate or Reduce Pay Overrides and COLAs.

Certain duties and events entitle flight attendants to a pay "override" above their normal hourly pay rates. These include:

- Reserve duty at \$2.00 per hour (AFA CBA 5.E).
- Ground pay for time in the aircraft before departure at 30 minutes for narrowbody aircraft and 45 minutes for widebody aircraft at \$2.00 per hour on each segment (AFA CBA 5.J).
- An additional per diem allowance for layover cities with high costs of living (AFA CBA 12.F.2.).

- Understaffed aircraft at \$10.00 per hour for each flight attendant the aircraft is short (AFA CBA 5.H).
- COLAs (AFA CBA 5.K. and CBA Letter at 260)

United proposes reducing the overrides for reserve duty by nine percent (with 1.5 percent increases annually) and eliminating the overrides for ground pay and high-cost layover cities.

Flight attendants currently receive understaffing pay if the number of flight attendants in the particular cabin to which the flight attendant is assigned is understaffed, regardless of whether the total number of flight attendants onboard the aircraft is sufficient. United proposes that flight attendants receive understaffing pay only if the aircraft as a whole is understaffed with flight attendants.

Flight attendants on the sixth year of the pay scale or greater currently receive a \$48.00 cost of living adjustment ("COLA") each month. (AFA CBA 5.K.) Flight attendants based in Honolulu receive an additional COLA ranging from \$90.00 to \$130.00 per month, depending on their numbers of years of service. (AFA CBA Letter at 260.) United proposes discontinuing these COLAs.

Rationale for United's Proposal. United's pay premiums are the most extensive and expensive in the industry. Colosi Decl. ¶ 5. No other carrier provides its flight attendants a ground pay override, COLA, or an additional per diem allowance for high-cost layover cities (the international per diem rate is considered sufficient). Colosi Decl. ¶ 5.

No carrier, except from Continental, pays reserve overrides to all flight attendants on reserve regardless of seniority, and Continental's hourly pay rates are significantly lower than United's. Colosi Decl. ¶ 5. Northwest, Southwest, Airtran, and ATA do not pay any reserve override. Colosi Decl. ¶ 5. US Airways pays \$1.00 per hour only to flight attendants in their

fifth year or more. Colosi Decl. ¶ 5. American and Delta pay \$2.00 per hour only to flight attendants in their third and sixth years or more, respectively. Colosi Decl. ¶ 5. Finally, while most carriers pay an understaffing override, United's is among the highest in the industry. Colosi Decl. ¶ 5. United can no longer afford the high costs associated with the current levels of these overrides.

E. Offset Pay for Time Over Schedule by Time Under Schedule.

A flight attendant's scheduled block hours can vary from the flight's actual hours for a number of reasons, such as wind speed or delays on the runway. Section 8.C of the AFA CBA currently provides that flight attendants are paid and credited based on the greater of the actual or scheduled block-to-block time on a per flight basis. For example, if a flight attendant works two flights with five-hour scheduled block-to-block times, one flight actually operates five and a quarter hours of block time, and the other actually operates four and three quarters hours of block time, the flight attendant would be entitled to ten and a quarter hours of pay: five and a quarter hours based on the actual operation of the first flight, and five hours based on the scheduled block-to-block time of the second flight. United proposes continuing to pay flight attendants based on the greater of actual or schedule block hours but also proposes that, on a monthly basis, the flight attendant's total time over schedule be reduced by her/his total time under schedule. In the example cited above, the flight attendant would receive 10 hours of pay, with the 15 minutes by which the first flight operated over schedule being offset by the 15 minutes by which the second flight operated under schedule. If the total time under schedule exceeds the total time over schedule for the month, the flight attendant still will be paid at the monthly scheduled block hours -- not less than that figure.

Rationale for United's Proposal. The existing practice of paying flight attendants for the greater of actual or scheduled block hours without a corresponding deduction

for time under schedule effectively compensates flight attendants for work that they have not performed, which United cannot afford to do. Exhibit 411 demonstrates that United expects to reduce its total paid time under schedule by 37.5% as a result of this proposal. Colosi Decl. ¶ 31. Offsetting a flight attendant's monthly time over schedule with time under schedule more accurately reflects the actual flight time worked by the flight attendant during the month in question. Colosi Decl. ¶ 31. This proposal is consistent with several of United's other proposals, both with regard to the flight attendants and to other employee groups, which remove or modify provisions that provide pay for time not worked.

F. Reduce Per Diem Expense Allowance.

Per diem is paid for all hours away the flight attendant's domicile. United proposes reducing the hourly allowance for expenses incurred while away from domicile from \$1.85 per hour (AFA CBA 6.A.) to \$1.75 for crewmembers on domestic flights and from \$2.10 per hour (AFA CBA 12.F.4.) to \$2.00 for crewmembers on international flights. These are the same amounts proposed for the other United employees who are eligible for per diems.

Rationale for United's Proposal. United's proposed per diem rates are reasonable in light of flight attendants' actual expenses. Ahmes Decl. ¶ 18. In addition to per diem, United already provides flight attendants with meals on some flights, company-paid single-occupancy hotel rooms, transportation or reimbursement for travel between a layover hotel and the airport, uniform cleaning reimbursement, and a monthly parking allowance. Ahmes Decl. ¶ 18. United also reimburses other unusual, reasonable expenses when those expenses are documented. Ahmes Decl. ¶ 18. Per diem primarily is used to reimburse crewmembers for the cost of food when they are on layover. Ahmes Decl. ¶ 18. Under United's proposal, a crewmember away from base for forty-eight hours would receive \$84.00 for a domestic trip and \$96.00 for an international trip. Ahmes Decl. ¶ 18. Per diem is paid

irrespective of whether a flight attendant incurs out of pocket expenses, which would not occur, for example, where United provides a meal. Ahmes Decl. ¶ 18. Thus, United's proposed per diem is more than sufficient to ensure that flight attendants will be able to sustain themselves while on assignment. Ahmes Decl. ¶ 18.

G. Reduce Number of Paid Holidays.

The AFA contract designates ten days as holidays, which vary among each of the seven countries in which United has flight attendant bases. Flight attendants are paid double the hourly pay rate when they work on a designated holiday. (AFA CBA 2-Q, 5.M.) United proposes reducing the number of designated holidays to three.

Rationale for United's Proposal. Unlike other industries where workers seek paid time off on holidays, in the airline industry flight attendants and pilots generally are not provided with extra pay when they work on holidays because they work only a limited number of days in a month and do not work in set Monday through Friday schedules, while airlines operate every day of the year. Colosi Decl. ¶ 7. In 1980, United was the first carrier to agree to paid holidays for flight attendants. Colosi Decl. ¶ 7. Other carriers were slow to follow, and even today, United's holiday pay for flight attendants far exceeds the rest of the industry's. Colosi Decl. ¶ 7. Delta and Southwest have no holiday premium pay for flight attendants; American, US Airways, and Continental have only three designated paid holidays; ATA has six; and Northwest has eight. Colosi Decl. ¶ 7. Reducing paid holidays to three would bring United in line with most carriers in the industry. Colosi Decl. ¶ 7.

III. MANAGEMENT FLEXIBILITY

United proposes eliminating the restrictions embedded in United's collective bargaining agreements that impede management's ability to make and implement strategic decisions. Colosi Decl. ¶ 28. These restrictions prevent management from reducing costs and

adjusting the size of the work force even when necessary to adapt to changing circumstances. Colosi Decl. ¶ 28. Moreover, United's collective bargaining agreements prohibit United from taking advantage of revenue and profitability-enhancing opportunities, even when they would not result in the furlough of any existing employees. Colosi Decl. ¶ 28.

A. Remove Restrictions on Development of a Low-Cost Carrier.

United proposes the creation of a sub-brand that can be deployed in markets identified as "low-cost" carrier markets and where United cannot generate yields at mainline carrier levels. In order to accomplish this, United must change the scope provisions of the AFA CBA, including the AFA CBA Letter at 293, ¶¶ A, B. Other provisions also must be changed for the reasons discussed below.

Rationale for United's Proposal. The rationale for the proposed sub-brand is fully detailed in United's Section 1113(c) Memorandum of Law. (See Section 1113(c) Memorandum of Law at 33-40.) United seeks to create a distinct product that can compete with existing low-cost carriers, such as ATA, Frontier, JetBlue, and Southwest. United needs lower rates of pay and more productive hours of service and working conditions for flight attendants in its low-cost operation to allow it to compete successfully and to enable United's successful reorganization.

United's proposal to modify the scope provisions to permit its low-cost product is the best alternative for flight attendants. Colosi Decl. ¶ 6. Flight attendants will likely suffer significant employment losses without scope provision modifications; United will be forced to withdraw from domestic markets if it is unable to compete with low-cost carriers. Colosi Decl. ¶ 6. United's proposal will offer the flight attendants who otherwise would be furloughed the opportunity to work at its low-cost carrier until such time as they are able to be awarded bid positions at the mainline operation. United's proposal is to use a single flight attendant seniority

list for both its mainline and low-cost operations. United will negotiate a letter of agreement covering the wages and work rules for flight attendants working in the low-cost operation consistent with its proposal. United would recognize AFA and operate its low-cost product under a side letter to the AFA CBA.

These proposed terms recognize the value to United of its flight attendants and, most importantly, affords them employment opportunities they would not enjoy during a furlough. United mainline flight attendants will be more secure because its low-cost product will prevent further erosion of United's domestic market share.

B. Remove Requirement that United Recognize AFA as Exclusive Bargaining Representative at Any Part 135 Carrier.

Part 135 of the Federal Aviation Regulations governs commuter airlines. United proposes eliminating the AFA CBA requirement that United recognize the AFA as the exclusive bargaining representative for flight attendants at any primary Part 135 carrier which United purchases or establishes and to negotiate with AFA a competitive agreement that is no less favorable than area standard contracts. (AFA CBA Letter at 293, ¶ C.)

Rationale for United's Proposal. Requiring United to recognize AFA as the exclusive bargaining representative and to negotiate a "competitive agreement" at a Part 135 carrier acquired by United provides no benefit to the flight attendants currently employed by United. It does, however, limit United's ability to respond to strategic opportunities that could benefit its operations as a whole – and thus United's flight attendants as well. Nor would eliminating this provision adversely affect the flight attendants at any acquired Part 135 carrier; those flight attendants would remain free to select AFA as their collective bargaining representative if they so choose and to negotiate the best agreement possible for themselves.

C. **Remove Obligation to Offer Voluntary Furloughs with Full Insurance, Travel Benefits, and Seniority Accrual.**

When United needs to furlough flight attendants, the AFA contract requires United to offer voluntary furloughs to senior flight attendants before furloughing flight attendants in reverse seniority order. Flight attendants who take voluntary furloughs receive company-paid medical and dental insurance coverage, travel benefits, and seniority accrual as if they had remained active for the duration of the voluntary furlough. (AFA CBA 21.A.3.b.-d.) Flight attendants who are furloughed involuntarily do not receive travel benefits or seniority accrual at all and receive medical and dental benefits only during the first 90 days of the furlough. (AFA CBA 21.G.) United proposes to modify the AFA CBA so that it can offer voluntary furloughs at its discretion and without the requirement of continuing benefits and seniority accrual. United also proposes that it be able to determine to whom it will offer voluntary furloughs. United proposes being permitted to determine to whom it will offer voluntary furloughs.

Rationale for United's Proposal. No other airline is required to offer voluntary furloughs to flight attendants with full insurance, travel benefits, and seniority accrual. Colosi Decl. ¶ 8. United must have the ability to furlough flight attendants consistent with its business plan and to adapt to rapidly changing economic circumstances in the airline industry. Providing the same benefits and seniority accrual to flight attendants on voluntary furlough that active employees enjoy is a substantial cost to United. Ahmes Decl. ¶ 19. United nevertheless recognizes that voluntary furloughs can sometimes be preferable to other measures. Ahmes Decl. ¶ 19. Thus, United's proposal would permit it to determine, on a case-by-case basis, whether and to whom to offer voluntary furloughs and whether to do so with the full panoply of benefits that it currently provides. Ahmes Decl. ¶ 19.

IV. PROPOSED CHANGES TO WORK RULES

A. Increase Maximum Scheduled Hours.

The AFA CBA limits the number of hours of scheduled credited flight time for both lineholder and reserve flight attendants to 85 hours in the first month of a contractual calendar quarter, 170 hours for the first two months of a quarter, and 240 hours for the entire quarter. A flight attendant has the option of picking up or trading for additional flying to increase these maximums to 90/180/255. United proposes modifying the relevant portions of the AFA CBA (*e.g.*, AFA CBA 7.A., 9.D.3., 9.E.3.a., 9.E.4.a., 9.I.2.b., 10.H.1., 12.G., 12.O.3., 12.P.1.a., 12.P.2.a., 12.Q.2.b.) to increase these maximums by five hours per month, so that the scheduled maximums increase to 90/180/255 and the actual/optional maximums increase to 95/190/270.

A flight attendant assigned to domestic reserve status for the third month of a contractual calendar quarter is eligible to be assigned up to 77 credited hours for domestic flights (75 hours for international flights) or the quarterly maximum, if higher. (AFA CBA 10.H.2., 12.V.6.) United proposes raising these limit to 85 hours for both domestic and international flights.

Rationale for United's Proposal. If implemented in conjunction with United's proposal to increase lines of flying averages, these proposed increases in the scheduled and actual maximums would significantly increase flight attendant productivity and permit United to perform the same operations with fewer flight attendants. Ahmes Decl. ¶ 3. Increasing the maximums would not only result in substantial savings to United, but also permit individual flight attendants to fly more hours, and thus offset a portion of the reduction in their compensation resulting from United's other proposed changes. Ahmes Decl. ¶ 3. The increases United seeks would enable it to schedule flight attendants for more work during the month but

would not appreciably diminish flight attendants' quality of work life because they would realize relatively little change in the number of days off in their home base.

B. Increase Lines of Flying Averages.

Monthly work schedules for flight attendants ("lines of flying") reflect the amount of flying a flight attendant is scheduled to perform in a given month. Under the AFA CBA, United must construct its domestic lines of flying so they do not exceed 80 credited flight hours and the average of all lines at each domicile does not exceed 74 credited flight hours. (AFA CBA 9.A.9.) United must construct its international lines of flying so that the average of all lines at each domicile does not exceed 79 credited flight hours in the first month of the contractual calendar quarter, 158 hours for the first two months of the quarter, or 237 hours for the entire quarter. (AFA CBA 9.A.3.a., 9.A.3.b(1), 9.A.9.) United proposes increasing the cap on domestic lines of flying from 80 to 85 hours a month. United also proposes increasing the lines of flying averages from 74 to 79 for domestic flights and from 79, 158, and 237 hours to 84, 168, and 252 hours, respectively, for international flights.

Rationale for United's Proposal. United's proposal to increase the average hours in a flight attendant line of flying is critical to its proposal to increase the scheduled maximums (*see* Section IV.A., *supra*). Ahmes Decl. ¶ 6. Without this revision, United could not achieve the cost savings from increasing monthly maximums because it would be dependent on individual flight attendants volunteering to pick up open flying. Ahmes Decl. ¶ 6. United must ensure that all flight attendants participate in the productivity improvements that can be achieved by increasing maximum hours. Ahmes Decl. ¶ 6.

Notably, most other major carriers' contracts with their flight attendants do not even require the carriers to construct lines of flying to achieve a target average value. Colosi Decl. ¶ 9. Thus, United's proposed elimination of the AFA CBA's restrictions regarding lines of

flying averages is in line with the practice of other major carriers. Colosi Decl. ¶ 9. Nor would this proposed change have a dramatic negative effect on flight attendants' quality of life. Simply increasing the average lines of flying by five hours (assuming all other current contract rules remain in effect) would cause a minimal reduction in monthly average days off and only slight increases in the average number of duty periods and nights away from home. Ahmes Decl. ¶ 5.

C. Eliminate Guarantee of Minimum Hours of Pay.

With some exceptions, flight attendants are guaranteed the value of the line of flying for which they successfully bid in a particular month. United does not propose changing this guarantee. In addition to receiving a line guarantee, however, lineholder flight attendants also have a minimum guarantee of 65 hours of pay. Under this minimum guarantee, where the cumulative trip value in a lineholder's line of flying falls below 65 hours (except where the decrease below 65 hours is a result of the flight attendant's voluntarily dropping or trading trips), United must guarantee the flight attendant her/his 65-hour paid flight time minimum regardless of whether the flight attendant's trips actually amount to 65 hours. United proposes eliminating this minimum monthly guarantee and revising as necessary all provisions of the AFA contract (e.g., AFA CBA 5.C., 5.D, 8.J.e., 9.A.1., 12.E.2., 18.K.2.) relating to the minimum monthly guarantee.

Rationale for United's Position. The 65-hour minimum results in flight attendants receiving pay for work they do not perform. Colosi Decl. ¶ 10. United no longer can afford to pay its employees for time not worked, especially since the number of hours flown by lineholders is completely within their control due to their ability to pick up, drop, and trade trips. Colosi Decl. ¶ 10. United's proposal will not necessarily result in reduced pay for individual flight attendants, who still will be able to attain the same or even greater levels of compensation

simply by picking up additional flying when the value of their line falls below 65 hours. Colosi Decl. ¶ 10.

Moreover, eliminating the 65-hour minimum is necessary in order for United's proposal that flight attendants be paid 2.8 hours of pay for each vacation day to be effective. If United were required to pay flight attendants a minimum of 65 hours of pay for each line of flying, flight attendants would have the incentive to drop higher valued scheduled trips during a vacation while potentially being paid less at 2.8 hours of pay for each vacation day (*see* Section IV.Q.), as United proposes. This would effectively erode the savings achieved by that proposal.

D. Expand Definition of Domestic Flying.

The AFA and pilots' contracts contain inconsistent definitions of what constitutes "domestic flying" for purposes of work rules, pay, and per diem. The AFA CBA defines "domestic flying" as flying within the 48 contiguous United States and the cities of Toronto, Montreal, and Vancouver. All other flying is considered "international flying." The AFA CBA also precludes an international segment from being preceded or followed by more than one domestic segment. Further, it requires United to maintain that a certain ratio of international flight attendant block hours be assigned to U.S. domiciles. (AFA CBA 2.G., 2.Z., 12.A.1., 12.A.2., 12.B.1., Letter at 271.)

United's pilots' contract, on the other hand, includes all 50 states, Canada, and the Caribbean as "domestic flying." Flights to Mexico, Central America, and South America also may be governed by the domestic flying rules depending on the length, location, and type of aircraft used on the trip. (ALPA Letter 91-2.) United proposes expanding the definition of domestic flying for flight attendants to include flying within and between all 50 of the United States, all of North America, Central America, and the Caribbean Basin, and realigning the ratio of international flight attendant block hours.

Rationale for United's Proposal. Pilot and flight attendant rules governing domestic and international flying should be compatible. Ahmes Decl. ¶ 15. United uses the same type of aircraft for domestic flying as for flying to service points within United's proposed expanded definition of domestic flying. Ahmes Decl. ¶ 15. Moreover, the flight times, time zone changes, duties in-flight (such as beverage and food service), and layover requirements for all of the trips are comparable. Ahmes Decl. ¶ 15. There is simply no justification for imposing the more restrictive scheduling rules and costly international pay and per diem for the flight attendants to the trips United now seeks to redefine as domestic flying. Ahmes Decl. ¶ 15. Nor can United any longer afford the imposition of these extra expenses.

E. Decrease International Layover Minimums.

The AFA CBA sets minimums for both the amount of rest time United must provide its flight attendants before they begin their next flight and the number of hours they must receive in their lodging place. The amount of rest depends on the total flight and "deadhead" time (time spent traveling to a location for a work assignment). Under the AFA CBA, international flights have exceptionally long rest requirements. (AFA CBA 12.M.1.) United proposes eliminating the place-of-lodging minimums and modifying the international layover rest time (AFA CBA 12.M.1.a., 12.M.1.c), as follows:

Current Flight and Deadhead Time	Current Rest Hours	United's Proposed Flight and Deadhead Time	United's Proposed Rest Hours
0-8:00	11	0-8:00	11
8:01-10:00	18	8:01-10:00	18
10:01-11:29	22	10:01-12:00	20
11:30-14:00	28	Over 12:00	22
Over 14:00	33		

United also proposes revising AFA CBA 12.M.2 to provide international lineholders and reserves with 24 hours of rest at home after flying 8:01 to 12 hours and 36 hours of rest at home after flying 12 hours.

Rationale for United's Proposal. United's international minimum rest provisions for flight attendants, which are more generous than those of its competitors, force United to schedule flight attendants for two-day layovers on many international trips, thus burdening United with associated but unnecessary hotel costs, credit time, and international per diem. Colosi Decl. ¶ 11. United's proposal would not cause flight attendants to lose any pay, while still providing flight attendants with adequate rest after international flights and permitting them to enjoy additional time at their home base. Ahmes Decl. ¶ 10.

F. Modify Domestic Rest Provisions.

The AFA CBA provides that whenever a flight attendant has flown more than eight hours in a 24-hour period, United must relieve that flight attendant from duty at the next scheduled point of rest for at least 16 hours. (AFA CBA 7.D.2.b.) Under this requirement, United is forced to "deadhead" a replacement crew to maintain the schedule or cancel or delay the departure of the next trip. Ahmes Decl. ¶ 9. United has proposed to apply the "8 in 24" limitation contained in the AFA CBA only to scheduled -- not actual -- operations. United also proposes modifying the "8 in 24" provision to permit two-segment, 1-duty period trips scheduled for up to nine hours in a 24-hour period.

Rationale for United's Proposal. No other major carrier is required to give its domestic flight attendants a "two for one" rest period, *i.e.*, at least 16 hours of rest after 8 hours of flight, as the AFA contract requires. Colosi Decl. ¶ 12. Modifying this provision as proposed would, for example, allow United to schedule flight attendants based in Chicago to work on round-trips to the West Coast and those based in Denver to work on round-trips to the East Coast

in a single duty period. Colosi Decl. ¶ 12. This change also would eliminate the requirement that United give a 16-hour rest period to a flight attendant whose trip is scheduled to last less than eight hours but is extended due to delays in actual operations. In the past, the AFA has granted United a contract waiver so that United could in fact schedule such trips, which were attractive to flight attendants who wanted to return to their home domicile rather than layover elsewhere. Colosi Decl. ¶ 12. During prior collective bargaining periods, however, the AFA has strategically withdrawn its waiver on this issue to pressure United to accede to the Union's demands. Colosi Decl. ¶ 12. These changes also would increase United's flexibility in the scheduling of flight attendants, reduce costs, and improve the dependability of United's operations. Ahmes Decl. ¶ 9.

G. Modify Ratios in Guarantee ("RIGs").

United proposes eliminating or revising flight attendant ratios-in-guarantee ("RIGs") -- the artificial formulae that generate "credit flight time"⁹ -- for the same reasons that United proposes comparable changes in the rules pertaining to pilots. (See Appendix B Section III.B.) Currently, AFA CBA 8.A.1. establishes a duty RIG pursuant to which flight attendants are guaranteed a minimum of one hour of pay and credit for every two hours on duty (a 1:2 ratio), and AFA CBA 8.A.2 establishes a minimum RIG of four hours of pay and credit per duty period.¹⁰ United proposes maintaining the 1:2 minimum but eliminating the four-hour minimum duty period RIG.

⁹ Credited flight time is "the time which is accumulated toward a flight attendant's monthly credited flight time maximum ... [and] may be more but cannot be less than actual flight time. (AFA CBA 2.P.)

¹⁰ The flight attendant duty period begins at check-in which varies from 45 to 75 minutes before departure time for domestic flights, depending on the type of aircraft and whether the flight attendant is at domicile or on a layover, and 45 to 120 minutes for international flights. The duty period ends 15 minutes after arrival at a domicile other than the flight attendant's home domicile, 30 minutes after arrival at home domicile, and 60 minutes after arrival for international flights. (AFA CBA 7-I and 12.N.)

In addition, the AFA CBA currently provides a minimum day guarantee of five hours of pay and credit for a trip consisting of a single duty period, nine hours of pay and credit for a trip involving two duty periods, and 17 hours of pay and credit for a trip involving three duty periods. (AFA CBA 8.A.3., 8.A.4., 8.A.5.) United proposes modifying the latter provision to provide for five, nine, and 14 hours of pay and credit, respectively, on a cumulative basis rather than on a per duty period basis.

United also proposes retaining the trip RIG formula (AFA CBA 8.B.) in modified form. The trip RIG guarantees one hour of pay and credit for every 3.5 hours away from base (a 1:3.5 ratio). (AFA CBA 8.B.) United proposes modifying that formula to a ratio of 1:4.

Rationale for United's Proposal. RIGs are costly and inhibits United's flexibility in scheduling flight attendants (Colosi Decl. ¶ 13), as they do for pilots (*see* Appendix B at Section III.B.). RIGs guarantee pay and credit time regardless of the block hours actually flown. Receiving credit for hours not worked limits productivity, particularly since the AFA CBA also sets maximums on the amount of time United can use its flight attendants. (*See* Section IV.A., *supra*.) The 17-hour, 3-duty period minimum guarantee RIG is of particular concern as it is by far the most generous in the industry. Colosi Decl. ¶ 13. Modifying the minimum duty RIG and revising the trip RIG would give United more flexibility in building schedules. Ahmes Decl. ¶ 7. The more flexibility United has in its ability to mix trips, the better able it is to optimize flight attendant schedules. Ahmes Decl. ¶ 7. These modifications would create only modest changes to flight attendants' work lives, while maximizing efficiency and producing schedules that reduce the amount of "soft" time within flight attendant schedules, and increase the amount of "hard" time, or actual flying time. Ahmes Decl. ¶ 7.

H. Expand United's Right to Reassign Lineholders.

Circumstances beyond United's control (such as weather or mechanical delays) may cause a flight attendant to lose all or part of her/his flight schedule. When this happens, the AFA CBA limits United's options for reassigning the flight attendant. Specifically, if United is unable to reassign the flight attendant to a trip scheduled for the same days -- returning to domicile within six hours of the scheduled return time of her/his original trip (in the case of domestic flights) or by midnight on the original return day of the trip (in the case of international flights) -- United must release the flight attendant from duty with full pay and credit for the lost flight time. Although United has the right to reassign the flight attendant to an alternate trip on the remaining originally scheduled trip days, that reassignment is subject to the same limitations on the return trip. (AFA CBA 8.J., 12.I.) In addition, the AFA CBA imposes limitations on United's ability to reassign to an international flight a flight attendant previously scheduled to a domestic flight, and vice versa. (E.g., AFA CBA 9.D.3., 9.D.4., 9.E.3.b., 9.K., 9.O.13., 12.O.3., 12.O.5., 12.P.1.b.)

United proposes modifying these return restrictions so that a reassignment will be permissible so long as it returns the flight attendant to her/his domicile no more than two calendar days from the date of the return of the original trip for domestic reassignments and no more than three calendar days from the date of the return of the original trip for international reassignments. United also proposes that the flight attendant be permitted to decline reassignment, with United's approval, in which case the flight attendant's projection and line guarantee would be reduced by the amount of the originally scheduled trip. Further, United proposes eliminating the requirement that, in the event of an error in the assignment of a trip, United must reassign the flight attendant to another trip on the same days, with departure and arrival times within two hours of the originally scheduled times. Currently, if United cannot do

so, it must release the flight attendant with full pay and credit for the lost flight time, with no further opportunity to reassign the flight attendant. (AFA CBA 8.I.) Finally, United proposes eliminating the restrictions on reassigning flight attendants to international flights who are scheduled to operate domestic flights and vice versa.

Rationale for United's Proposal. Relaxing the restrictions on reassignment will permit United to better utilize flight attendants who lose flight time for any reason and to limit the circumstances under which United must pay a flight attendant who does not actually work. Colosi Decl. ¶ 14. United must have the ability to recover this lost productivity without such steep penalties. Increasing flight attendants' maximum scheduled and actual hours on duty as United proposes also would enhance operational reliability and afford United greater scheduling flexibility, particularly when operations are disrupted due to weather, mechanical, or other delays. Ahmes Decl. ¶ 11.

I. **Eliminate Certain Scheduling Restrictions on Flight and Duty Time.**

In addition to restrictions relating to the maximum number of hours on duty described in Section IV.A., *supra*, the AFA CBA also contains several other scheduling restrictions which place limitations on United's ability to efficiently utilize its flight attendant workforce. For international flying, flight attendants are entitled to either one day off at their domicile or a 24-hour duty free period away from their domicile during any seven consecutive calendar days. (AFA CBA 12.K.) United proposes modifying this provision to provide for a 24-hour duty free period, whether at domicile or not. For domestic flying, these restrictions include the following: (1) United may not schedule a flight attendant to fly more than eight hours within a 24-hour period without a prescribed interim rest ("8 in 24"); (2) flight schedules cannot exceed 30 flight hours over seven consecutive days ("30 in 7"); and (3) United must give each flight attendant one calendar day off at her/his domicile during any seven consecutive days ("1 in 7").

(AFA CBA 7.D.-F.) United proposes modifying the 8 in 24 limitation as described in Section IV.F, *supra*; deleting the 30 in 7 limitation; and replacing the 1 in 7 limitation with a provision that United must provide flight attendants with a 24-hour duty free period during any seven consecutive calendar days, consistent with United's proposal for international flying.

Rationale for United's Proposal. These scheduling restrictions are required by federal regulation for pilots, but not for flight attendants. Colosi Decl. ¶ 15. United is one of the few airlines that has agreed to apply all three restrictions to flight attendants. Colosi Decl. ¶ 15. Modifying these restrictions would greatly increase United's scheduling and operational flexibility and reduce associated costs. Ahmes Decl. ¶ 12. The proposed duty time and rest requirements will ensure that flight attendants have reasonable work periods and adequate rest. Ahmes Decl. ¶ 12.

J. Permit Moving of Four Reserve Days Off.

The AFA CBA provides reserve flight attendants with 12 days off each month at their domicile. (AFA CBA 7.G, 10.D.) These days off are assigned prior to the beginning of each month and cannot be changed by United. (AFA CBA 10.D.1.) United proposes modifying the contract to grant it the flexibility to move up to four of these 12 days off.

Rationale for United's Proposal. United guarantees reserve flight attendants a minimum of 75 hours pay each month – as opposed to 65 hours for lineholders – regardless of how much time a reserve flight attendant actually works. United would be willing to continue this guarantee for reserves, but can only do so if it is able to achieve greater productivity.

Under the AFA CBA, a reserve has a pattern of days available for assignment. Ahmes Decl. ¶ 8. Approximately 25% of the flight attendants at each domicile work in “reserve status” each month. Ahmes Decl. ¶ 8. Reserves do not have specific known flight assignments in their monthly schedules; instead, they have a schedule of designated days when they must be

available to the company for assignment and a minimum of 12 days off. Ahmes Decl. ¶ 8. Reserve assignments are normally given from 4 to 15 hours prior to departure and cover unexpected spikes in flight attendant needs caused by circumstances such as adverse weather or airport restrictions, a close-in increase in customer bookings requiring additional staffing, operational problems that result in crews being out of position for their flights, and lineholder flight attendant absences for reasons such as illness, jury duty, PTO, and bereavement leave. Ahmes Decl. ¶ 8. Permitting United to move reserve flight attendants' days off after schedules are awarded allows United to more effectively cover such unexpected staffing needs. This change also will prevent reserve flight attendants from using a single day of sick leave or other categories of time off to make themselves unusable on subsequent reserve days. Ahmes Decl. ¶ 8. For example, a reserve flight attendant who calls in sick for one day in the middle of a pattern reduces United's ability to assign trips on the subsequent days of availability. Ahmes Decl. ¶ 8. Permitting United to move up to four of the flight attendant's days off still would afford the reserve eight days off, consistent with her/his original schedule. Ahmes Decl. ¶ 8.

Having the ability to move reserve flight attendants' days off would afford United greater flexibility in assigning its flight attendants. Days that were moved would be restored and reserve flight attendants still would receive the full 12 days off. Ahmes Decl. ¶ 8. All other major carriers have the ability to move a number of their reserve flight attendants' days off to adjust to changing coverage needs. Colosi Decl. ¶ 16. In fact, most major carriers are permitted to move five or more of a reserve flight attendant's days off. Colosi Decl. ¶ 16. United's proposed terms for providing reserve flight attendants with days off would continue to be among the most generous among the major carriers. Colosi Decl. ¶ 16.

K. Eliminate Personal Time Off for Reserves

The AFA CBA has provisions for sick leave, Family Medical Leave, day at a time vacation, jury duty, bereavement leave, and personal leaves to accommodate flight attendants' need for time off of work. In addition to these leave provisions, the AFA CBA requires United to offer flight attendants guaranteed personal time off without pay ("PTO") equivalent to one percent of the active flight attendant population at each domicile. (AFA CBA 4.V.) Reserves may use one day of PTO strategically placed in the middle of a series of days of availability to effectively prevent United from using them on all of the other available days in that sequence. Ahmes Decl. ¶ 20. Reserve flight attendants whose seniority allows them to be awarded PTO must be given one day off regardless of the impact such PTO has on United's ability to assign the reserve on days of availability that precede and/or follow the PTO day. Ahmes Decl. ¶ 20. In domiciles having only trips of longer duration, this prevents United from using the reserve on any of the other available days in the four or five-day series, while requiring United to pay for those days. The chart below is an example taken from an actual February 2003 schedule of an internationally-based flight attendant.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4 RLSE ¹¹	5 RLSE	6 GWOP	7 RLSE	8 RLSE
9	10	11 RLSE	12 RLSE	13 GWOP	14 RLSE	15
16	17	18 RLSE	19 RLSE	20 GWOP	21 RLSE	22 RLSE
23	24	25 RLSE	26 RLSE	27 GWOP	28 RLSE	

Ahmes Decl. ¶ 20. By strategically taking four days of PTO (also known as “GWOP”) – in advance – the flight attendant was able to negate the entire line of flying because none of the patterns had three consecutive days of availability (the minimum number of days needed for an ID from that domicile). Ahmes Decl. ¶ 20. The flight attendant did not fly for the entire month of February, yet received 58:20 hours of pay (the 75-hour reserve guarantee reduced only by the value of the four PTO days) for no hours worked. Ahmes Decl. ¶ 20.

United must employ approximately 94 reserve flight attendants simply to cover the PTO days mandated by the AFA CBA. Colosi Decl. ¶ 26. United proposes to end this misuse of the system by modifying PTO to eliminate the requirement that it provide PTO to reserves. In order to maintain the current level of PTO offered to lineholders, United further

proposes modifying the amount of allocated PTO, basing that amount only on the prior month's scheduled lineholder positions (excluding reserves). Reserves will continue to enjoy the many other provisions in the AFA CBA for time off.

Rationale for United's Proposal. Providing PTO to reserves is expensive and subject to abuse, frequently resulting in United paying a flight attendant for a significant number of hours for no hours worked. Ahmes Decl. ¶ 21. United already provides flight attendants adequate forms of leave to accommodate fully their needs for time off from work. Ahmes Decl. ¶ 21. United cannot afford the expense associated with this unnecessary benefit, as it cannot continue to pay for work that is not actually performed.

L. Combine Reserve Pools.

At domiciles where United conducts both domestic and international flying, United must maintain separate pools of domestic and international reserve flight attendants. (AFA CBA 10.C.4., 10.D.1.a., 12.V.4.) United proposes the establishment of one reserve pool at each domicile at which it conducts both international and domestic flying. United would agree to maintain a limited number of reserve lines staffed with flight attendants who wish to be assigned exclusively to domestic flying. United further proposes that the guaranteed pay for reserve flight attendants be calculated based on domestic pay rates and that international pay rates be paid only if the reserves fly on international flights.

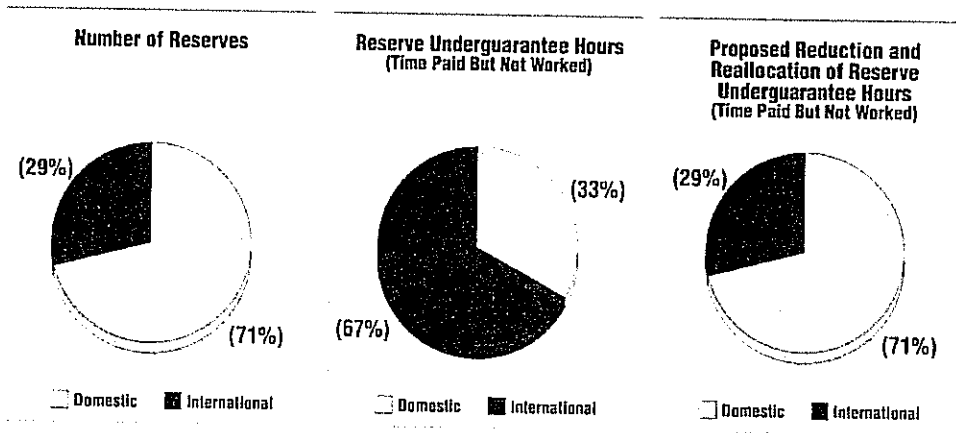
Rationale for United's Proposal. Maintaining separate pools of domestic and international reserve flight attendants is inefficient, redundant, and expensive. Colosi Decl. ¶ 17. Under the current AFA CBA, United cannot efficiently match reserve flight attendants with all

(...continued)

¹¹ The designation "RLSE" in the chart refers to days on which the flight attendant originally was scheduled to sit reserve duty and from which she was released from duty because she could not be used for a trip on those days (continued...)

the open trips that must be covered. Colosi Decl. ¶ 17. As a result of this inflexibility, United must maintain large pools of reserve flight attendants only to use a fraction of the pools' collective available hours, particularly with respect to international reserves. Colosi Decl. ¶ 17. As illustrated by Exhibit 412, below, the separate international reserve pool generates 67% of the reserve underguarantee, which is paid time not actually worked, even though that pool constitutes only 29% of the total number of reserves. Colosi Decl. ¶ 17.

**Exhibit 412
Reduction and Redistribution of Reserve
Underguarantee Hours Under United's Proposal**



The exhibit also illustrates that the effect of combining reserve pools as United has proposed is to reallocate underguarantee hours so that the international reserves generate 29% of the underguarantee hours, in keeping with the percentage of the total reserves that they represent.

because of the flight attendant's strategic use of PTO but for which she received pay.

(...continued)

Colosi Decl. ¶ 17. Combining pools would allow United to reduce the overall number of reserve flight attendants while placing United in a better position to cover open trips. Colosi Decl. ¶ 17. No other major carrier is contractually required to maintain separate pools of domestic and international reserves. Colosi Decl. ¶ 18. Nor is any other major carrier required to pay reserve flight attendants at international rates unless they are assigned to international flights. Colosi Decl. ¶ 18.

M. Modify Downtown Hotel Requirements.

The AFA CBA, like the pilots' contract, requires United to use hotels in downtown or "downtown-like" locations for crewmember layovers of 13 hours or more. (AFA CBA 6.B.5.). United proposes modifying this provision to require United to provide such lodging only for layovers of 20 hours or more. The AFA CBA also requires a longer layover if the field hotel is more than 10 minutes away from the airport. (AFA CBA 7.J.1.b.) United proposes changing this provision to 15 minutes in order to provide for a greater selection of field hotels and to promote consistency with the pilots' contract.

Rationale for United's Proposal. The rationale for eliminating the downtown hotel requirement for flight attendants which would permit United to seek bids from a greater variety of hotels and attain price reductions as well as reduce its transportation costs, is the same as the rationale for eliminating this requirement for pilots. (See Appendix B Section III.G.)

N. Increase Scheduled and Actual Duty Times.

The AFA contract limits the number of hours United can schedule a domestic flight attendant for both scheduled and actual duty. These limits vary from 10.5 hours scheduled duty and 12 hours actual duty to 12.5 hours scheduled duty and 14 hours actual duty, depending on the time of day that the duty period starts. United may schedule a flight attendant for up to 14 hours on duty only with the concurrence of the Union Local Scheduling Committee. Nor is

United permitted to require flight attendants to remain on duty in excess of the applicable maximum limits in any 24-hour period. (AFA CBA 7.I.4.) United proposes replacing these restrictions with a single duty day limit of 13 hours of scheduled duty and 15 hours of actual duty, regardless of start time.

Rationale for United's Proposal. Increasing flight attendants' maximum scheduled and actual hours on duty would enhance United's operational reliability and afford United greater scheduling flexibility, particularly during operations disrupted due to weather, mechanical, or other delays. Ahmes Decl. ¶ 11. United's current maximums are among the most restrictive of the major carriers; its proposed maximums of 13 hours of scheduled duty and 15 hours of actual duty are comparable to those at US Airways (which operates under maximums of 14 and 15 hours of scheduled and actual duty, respectively). Colosi Decl. ¶ 24.

O. Modify Open Flying Assignment Process.

Trips that have not been assigned to flight attendants through the monthly bid process, subsequently become unassigned, or are identified during the month are known as "open flying." The AFA contract requires United to cover such trips by following a particular order of assignment. (AFA CBA 9.F.-I., 12.Q.) Flight attendants who already hold a scheduled line of flying are the first group entitled to trade with and pick up open time. United proposes modifying the AFA CBA to permit United to determine and allocate open flying to ensure efficiency and productivity.

Rationale for United's Proposal. United's current system for filling open time is inefficient. Ahmes Decl. ¶ 16. United often has reserves available who can cover the flying without reaching their 75-hour guarantee and thus will not generate any additional cost to United. Ahmes Decl. ¶ 16. But under the AFA CBA, United must give lineholders open flying before assigning it to a reserve, which results in *extra* pay to lineholders while many reserves do

not even come close to working the 75 hours they are already being paid for. Ahmes Decl. ¶ 16. Moreover, the AFA CBA requires United to retain open flying as originally constructed and awarded to flight attendants in the bid process. Ahmes Decl. ¶ 16. Thus, United cannot eliminate the flying, even if the flight attendant position is no longer required (which would occur, for example, where the passenger load or aircraft type has changed such that fewer flight attendants are needed). Ahmes Decl. ¶ 16. Under the AFA CBA, United cannot revise open flying to combine, separate, or delete segments to improve efficiency. Ahmes Decl. ¶ 16. Affording United greater latitude and discretion to determine and allocate open time will result in significant increases in operational efficiency and flight attendant productivity. Ahmes Decl. ¶ 16.

P. Modify Bidding and Assignment Procedures

United proposes adopting a “Preferential Bidding System” for both pilots and flight attendants, which would allow them to construct their own monthly work schedules or “bid lines.” This Preferential Bidding System would enable flight attendants to customize their monthly schedule and build it around known absences. The AFA CBA currently requires a 45-day process for preparation of bid lines and bidding. (AFA CBA 9.C.3.N.) Until such time as the Preferential Bidding System is implemented, United further proposes compressing the bidding process for flight attendants and pilots under the current system to provide United the opportunity to more accurately predict the actual flying in the new month before posting the flying for bid.

Rationale for United’s Proposal. The reasons for adopting a Preferential Bidding System for flight attendants are similar to the reasons for doing so for pilots. (See Appendix B at Section III.F.) Moreover, if United were to adopt a Preferential Bidding System

for pilots, maintaining a separate and distinct bidding system for flight attendants would make little sense.

Preferential bidding will create advantages for both United and the flight attendants: the system benefits flight attendants by building schedules tailored to their individual preferences, and it helps United by greatly abbreviating the schedule construction and bidding process. Moreover, under this system, flight attendants will not be scheduled to fly on days when they are already scheduled to fly a trip that has carried over from the previous month or when they will be absent, such as vacation or training days. Colosi Decl. ¶ 27.

The flight attendant bid process is outdated, cumbersome and costly. Ahmes Decl. ¶ 14. Individual flight segments from the aircraft schedule are combined into “IDs” or “pairings.” Ahmes Decl. ¶ 14. Each ID may be comprised of two or more flights originating and terminating at one of United’s 19 flight attendant domiciles. Ahmes Decl. ¶ 14. The IDs are then allocated to lines of flying (“LOFs”), which provide flight attendants with the work schedule for that month. Ahmes Decl. ¶ 14. Each month, United produces approximately 860,000 pages of paper to provide copies of the IDs to flight attendants for bidding, and approximately 560,000 pages to provide flight attendants with the LOFs for bidding. Ahmes Decl. ¶ 14. After flight attendants are awarded their bids, each flight attendant’s vacation is dropped from their LOFs and used to develop a new set of “relief” LOFs, generating substantial additional paperwork. Ahmes Decl. ¶ 14. After monthly awards are complete but before the month begins, flight attendants may trade their scheduled flights with each other or with open flying. Ahmes Decl. ¶ 14. In August 2002, for example, lineholder flight attendants submitted more than 100,000 trip trade requests, approximately 30,000 of which were approved. Preferential bidding has the potential of reducing the administrative burden on United and

modernizing the bid/award process, while accommodating flight attendant work preferences at the same time. Ahmes Decl. ¶ 14.

Reducing the bid and award process timeline pending implementation of PBS would provide additional opportunity for United to accurately match the aircraft and flight attendant schedules to market demand. Ahmes Decl. ¶ 14. Enabling United to compress the lengthy bidding timeline until such time as a Preferential Bidding Schedule is implemented will allow United to more closely align the IDs with timely marketing decisions on the most advantageous flight schedule. Ahmes Decl. ¶ 14. Compressing the bidding timeline will not adversely impact flight attendants, who still will have sufficient time to review the monthly schedules and submit their bids. Ahmes Decl. ¶ 14.

Q. Eliminate Vacation “Overlap”/Bulk Scheduling.

Flight attendants bid for and are awarded their vacation schedules between October and December of the previous year, well before bidding for their monthly work schedules. Although they know well in advance when they have vacation scheduled in an upcoming month, they nevertheless bid for a line containing trips throughout that month. In fact, they generally intentionally bid to obtain lines that conflict with as many previously scheduled vacation days as possible. After their monthly bids are awarded, flight attendants are removed from all trips that fall entirely within *and that overlap even a single day of* their previously awarded vacation periods. This problem is even more acute because the AFA CBA also requires United to build at least four percent of the flight attendant lines of flying with all of the trips concentrated in one-half of the schedule month. Ahmes Decl. ¶ 13. This is known as “bulk scheduling.” Ahmes Decl. ¶ 13. Thus, with a little planning, a senior flight attendant can take an entire month off by bidding for a flight schedule in which all of the IDs overlap previously scheduled vacation days. Colosi Decl. ¶ 19; *see also* AFA CBA 9.A.7. Flight attendants are

paid for the full value of trips from which they are removed due to previously scheduled vacation, *i.e.* “trips missed.” The disproportionate amount of flying removed from days that are not actually within their vacation time, but for which flight attendants are compensated, is known as vacation “overlap.” Colosi Decl. ¶ 19.

United proposes eliminating such “overlaps,” which can result in a crew member extending vacation time by up to fifty percent (Colosi Decl. ¶ 20), by paying a fixed value per day of vacation for both flight attendants and pilots. Specifically, United proposes that flight attendants receive 2.8 hours of pay and no credit for each calendar day of vacation. United also proposes removing the requirement that it build bulk schedules. Under United’s proposal, flight attendants’ actual vacation periods will coincide more closely with their accrued vacation allotment, and they will no longer have an incentive to bid for schedules that include as many trips as possible that overlap with their vacation periods. Colosi Decl. ¶ 20.

Rationale for United’s Proposal. The current system allows flight attendants to stretch out vacation time by bidding for a line of flying that contains trips that coincide with their pre-scheduled vacation time. On average, this system allows crew members to extend their paid vacation hours by up to 50%. Colosi Decl. ¶ 20.

The following example taken from an actual November 2002 schedule illustrates the effect of vacation-driven bidding on a bulk schedule. Ahmes Decl. ¶ 13. The two six-day and one two-day trips indicated below constituted a full month’s work schedule, *i.e.*, 74:42 credit hours. Ahmes Decl. ¶ 13. All nine flight attendants awarded this line of flying were scheduled to be on vacation that month. Ahmes Decl. ¶ 13. They were each able to parlay their vacation into an entire month off. Ahmes Decl. ¶ 13. Depicted below is an example of one such flight

attendant's actual schedule which turned 10 days of vacation into an entire scheduled month off.

Ahmes Decl. ¶ 13.

Bulk Schedule Vacation

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				31	1	2
3	4	5	6	7	8	9 Trip 1 LAX Overlap
10 SYD Overlap	11 — Overlap	12 SYD VAC	13 — VAC	14 LAX VAC	15 VAC	16 VAC
17 Trip 2 LAX- OGG VAC	18 OGG- LAX VAC	19 Trip 3 LAX VAC	20 SYD VAC	21 — VAC	22 SYD Overlap	23 — Overlap
24 LAX Overlap	25	26	27	28	29	30

Ahmes Decl. ¶ 13. Exhibit 413 further illustrates how bulk scheduling and vacation overlap can be exploited to convert limited vacation time into an entire month off without pay. Colosi Decl. ¶ 21. Exhibit 413 shows four hypothetical lines of flying composed exclusively of three-day trips from Washington/Dulles Airport (IAD) to Munich, Germany (MUC). Colosi Decl. ¶ 21. Each of the lines was scheduled with the identical block time (73 hours), time away from base (194 hours) and days off (19). Colosi Decl. ¶ 21. The first two hypothetical lines are bulk scheduled; the latter two are not. Colosi Decl. ¶ 21. Assuming that the flight attendants holding each of these lines had 11 days of vacation, the flight attendants in the non-bulk scheduled lines could obtain 16 or 17 consecutive days off with that vacation time. Colosi Decl. ¶ 21. The flight

attendants with the bulk scheduled lines, on the other hand, would be able to parlay their 11 days of vacation into an entire month off in light of vacation overlap. Colosi Decl. ¶ 21.

United's proposal that flight attendants be paid for 2.8 hours per vacation day extends the concept of fixed value for each vacation day that applies to payouts of accrued vacation that occur when flight attendants go on medical leave or occupational leave, when flight attendants terminate their employment, or for other reasons.¹² Colosi Decl. ¶ 20. Several other carriers have a similar practice; flight attendants at almost all of the other major U.S. carriers are paid for vacation on a fixed value per day system.¹³ Colosi Decl. ¶ 20. And no other carriers are obligated to build bulk schedules. Colosi Decl. ¶ 20. Given United's financial circumstances, eliminating flight attendants' ability to parlay their vacation into substantially more leave with pay is well justified.

Under United's proposal, flight attendants would not see an additional reduction in income unless they continued to pack a disproportionate number of trips into their vacation periods. Flight attendants who wish to maintain or increase their level of income can simply bid for lines with fewer trips overlapping their vacation time.

United proposes eliminating bulk scheduling for an additional and independent reason. Even on a pay-per-day basis, bulk scheduling creates inefficiencies as it requires United to use a higher number of flight attendants to cover vacations taken by bulk scheduled flight attendants. Colosi Decl. ¶ 22. In Exhibit 413, for example, United could use a single

¹² In a 1992 AFA arbitration decision, United's use of a lower value – 2.6 hours – for such purposes was upheld as both generous and reasonable. Colosi Decl. ¶ 20.

¹³ At Delta, flight attendants are paid either for trips missed within their vacation or, if they choose to split their vacation, at a fixed value of 2.75 hours per day. Colosi Decl. ¶ 23. Northwest's fixed value per day is 3.5 hours for both domestic and international. Colosi Decl. ¶ 23. US Airways' fixed value ranges from 2.5 to 6.5 hours. Continental's fixed value ranges from 2.83 to 4.15 hours. Colosi Decl. ¶ 23. Only American Airlines has a
(continued...)

replacement flight attendant to cover the vacations taken by the flight attendants in the second two hypothetical lines of flying, as only half of a month's flying is affected by each vacation. Colosi Decl. ¶ 22. United would have to use at least two replacement flight attendants to cover the vacations taken by the flight attendants in the two hypothetical bulk scheduled lines of flying as an entire month's worth of flying is affected by each vacation. Colosi Decl. ¶ 22. United estimates that it has to use 69 additional flight attendants just because of this effect of bulk scheduling. Colosi Decl. ¶ 22.

V. **BENEFITS**

United proposes adopting the uniform package of employee benefits described in Appendix A. (*See generally* Appendix A.) In addition, United proposes eliminating the following requirement.

A. **Eliminate “Me Too” Vacation Accrual Provision**

Currently, any increase to vacation accrual that United gives to its salaried and management employees also must be provided to its flight attendants. (AFA CBA 18.B.) When vacation accrual is decreased for salaried and management employees, however, there is no corresponding right for United to decrease its flight attendants' vacation accrual. Thus, the application of this “me too” vacation accrual provision gives the flight attendants the benefit of increased accruals without the corresponding decreases. United proposes eliminating this “me too” vacation accrual provision.

Rationale for United's Proposal. No other employee group has the right to improvements in vacation accrual as flight attendants have under this provision of the AFA

(...continued)

system that is even arguably comparable to United's system, but American only pays for trips that are within, or in the 48-hour window before, the vacation period. Colosi Decl. ¶ 23.

contract. Colosi Decl. ¶ 32. United's proposal addresses this inequity and puts its flight attendants on an equal footing with its other employee groups.

B. Eliminate Compensation for Time Spent on Union Business.

United currently pays AFA flight pay loss in an amount equivalent to 23 flight attendants working 85 hours per month, plus fringe benefits. AFA CBA 3.R.; *see also* Colosi Decl. ¶ 25. AFA uses this flight pay loss to reimburse flight attendants who drop trips in order to tend to union business. United proposes eliminating this obligation to pay for union business, other than at United's discretion.

Rationale for United's Proposal. United will save more than a million dollars a year by not having to pay for this time during which flight attendants are not working for United. This item is a simple matter of cost. United can no longer afford to pay flight attendants to conduct AFA business.