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BY U.S. MAIL and BY EMAIL TO apa@mcstephens.net.

Captain Mark Stephens
Chairman, Seniority List Integration Committee
Allied Pilots Association
O'Connell Building
14600 Trinity Boulevard, Suite 500
Fort Worth, TX 76155-2512

In Re: Integration of Seniority Process For American Airlines/U.S. Airways
Pilots – Protection Of Interests of American Airlines Flow-Through Pilots

Dear Captain Stephens:

The American Airlines Flow-Thru Pilots Coalition (“AAFTPC”) has consulted me regarding their interests in the current seniority integration process arising from the American Airlines (“AA”) and US Airways (“US Air”) merger and the designation of the Allied Pilots Association (“APA”) as the exclusive representative of pilots in the merged airline. In order to ensure that the seniority integration is done in a fair and equitable manner respecting the separate and distinct interests of the American Airlines Flow-Through Pilots (the “FTP’s”), the AAFTPC believes it must be recognized as a party for purposes of the negotiations and any arbitration of the seniority integration issues. If AAFTPC is denied recognition as a party, please advise me what actions APA will take to ensure that the AAFTPC and the FTPs (a) are timely informed of seniority integration discussions and positions and (b) can submit comments or other materials in connection with the seniority integration process and in any arbitrations that may result from this process.

As you are aware, there are approximately 450 American pilots at AA who flowed-up to AA from American Eagle under the provisions of the 4-Party Flow-Through Agreement (Letter 3/Supp.W), herein the “Flow-Through Agreement.” This group of Flow-Through Pilots (the “FTP’s”) has a distinct and unique interest in the seniority issues arising from the pending seniority integration process. The AA seniority numbers for the FTPs have been determined under the provisions of the Flow-Through Agreement rather than under the provisions of the AA-APA collective bargaining agreement or pursuant to earlier seniority integration agreements. Historically, this has created significant conflict between APA and the FTPs group over seniority issues, including a series of arbitrations under the Flow-Through Agreement where APA has taken positions on the seniority and job rights of the FTPs that were adverse to the FTPs’ interests. In these arbitrations,

APA's position was apparently designed to favor other groups of AA pilots, most notably the former TWA pilots who were integrated into the AA seniority list when AA acquired TWA, over the interests of the FTPs.

A synopsis of various arbitration decisions in which APA took positions adverse to the FTPs is attached as Attachment A. As described in Attachment A, the APA has a consistent pattern and practice of taking actions and positions adverse to the FTPs. This pattern goes far beyond a one-time instance of a conflict that might be explained away based on the particular facts of a single case.

In addition, the APA's refusal to represent the FTPs' interest has continued in other areas. APA has refused to negotiate to have the FTPs paid using the same pay step calculation methodology APA has demanded be used for all the other AA pilots who have transferred into AA from other carriers. As a result the FTPs are now the lowest paid pilots at AA commensurate with their seniority position. Pilots that are thousands of seniority numbers junior to the FTPs are being paid at the topped-out 12th year step, while FTPs are on 1-7 year pay step for doing the same job.

Unless the AAFTPC and the FTPs can participate in the seniority integration process in a meaningful way, this process will be unfair and inequitable to them, in violation of the federal laws governing seniority integration.

Under the McCaskill-Bond Amendment to the Federal Aviation Act (see 49 U.S.C. § 42112 note on P.L. 110-161), the labor protective provisions established in sections 3 and 13 of the Civil Aeronautics Board's decision in the Allegheny-Mohawk merger apply to seniority integration in airline mergers. *Allegheny-Mohawk*, 59 C.A.B. 19, 31 (1972). Section 3 of the Allegheny-Mohawk merger standards provides:

Insofar as the merger affects the seniority rights of the carriers' employees, provisions shall be made for the integration of seniority lists in a fair and equitable manner, including, where applicable, agreement through collective bargaining between the carriers and the representatives of the employees affected. In the event of failure to agree, the dispute may be submitted by either party for adjustment in accordance with section 13.

Subsequent CAB decisions interpreting this rule held that pilot groups could be considered parties or allowed to participate in the seniority integration process to ensure fairness. *Nat'l Airlines Acquisition, Arbitration*, 95 C.A.B. 584, 588 (1982) (separate group of employees (Janus Group) allowed to make statements at seniority integration arbitration); *Pan Am-TWA Route Exchange, Arbitration Award*, 85 C.A.B. 1825 (1980) (participation in arbitration by both certified collective bargaining representative and three of its members). See also *S. Emps. v. Republic/ALEA*, 102 C.A.B. 616, 618 (1983).

While there is an undoubted preference that the certified union acts as the primary representative for all pilots affected by seniority integration, that preference is premised on the principle that the union's duty of fair representation will protect interests of all

affected groups. In connection with the APA's relationship to the FTPs as a group, APA has consistently worked against their interests and in favor of the interests of other pilot groups, notably the former TWA pilots. Any general preference favoring APA as the certified representative is dispelled by this history and practice of APA's disfavoring the interests of the FTPs and favoring the interests of other AA pilot groups.

At this point, the FTPs and the AAFTPC are excluded from independent representation under the signed Seniority Integration Protocol Agreement ("SIPA"). Only the pilots from US Air will have representation under the SIPA in connection with seniority integration and any related arbitration that may arise under the SIPA.

Whatever the SIPA provides, however, the fundamental provisions of the McCaskill-Bond Amendment must control. The seniority integration process must be done "in a fair and equitable manner" as the statute requires. Excluding the FTP's from the seniority integration process, and leaving their seniority status solely in control of APA, is not a "fair and equitable" process given the long-standing conflict between the APA and the FTPs as a group.

The FTPs cannot even have assurance that the seniority integration process will be transparent—an obvious essential requirement of any "fair and equitable manner" of seniority integration. For example, in the remedy phase of FLO-0108, APA (as well as AA) submitted off-the-record information to the arbitrator that ultimately influenced his remedy decision in a manner contrary to the interest of the FTPs. The FTPs are legitimately concerned that APA may again seek to present "off-the-record" evidence in the context of the seniority integration process and any seniority integration arbitrations that may occur. This can be prevented, and the transparency of the process preserved, only if the AAFTPC and the FTPs have participation rights in the seniority integration proceedings and any related arbitrations.

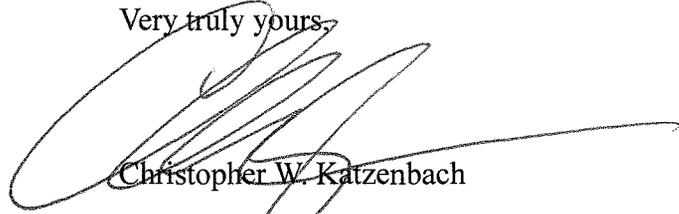
For these reasons, unless the FTPs and the AAFTPC are participants in the seniority merger discussions and arbitration, we believe that the interests of the FTP's will not be presented and their seniority rights will not be respected in this process. We are equally concerned that, as to the FTPs and their interests, the process will not be transparent and above-board.

Accordingly, the AAFTPC requests party status in discussions under the SIPA and in any arbitration over seniority integration issues.

If the APA is unwilling to allow the FTPC party status, please advise me what other arrangements APA will make to ensure that the FTPs are advised of APA's actions and APA's position, as well as the positions of the other participants in the seniority integration process, in a timely manner so that the AAFTPC and the FTPs can submit comments and materials before any decisions are reached. Please further advise me of the procedure the AAFTPC and FTPs can use to submit comments and other materials in connection with the seniority integration process and in any arbitration that may result from this process.

Thank you in advance for APA's prompt attention to this matter. Please call or email me if you have any questions or require any additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Christopher W. Katzenbach', with a long horizontal flourish extending to the right.

Christopher W. Katzenbach

cc. Captain Keith Wilson, President APA (by mail and by email to President@alliedpilots.org).

ATTACHMENT A

FLO-0903. Effect of Addition of Former TWA Pilots on Function of Letter 3 / Supp. W. Arbitrator John B. LaRocco – Award May 11, 2007, Supplemental Opinion and Award on Remedy—October 20, 2008.

APA argued that all the former TWA pilots who were on furlough, including those who had never worked for AA but were directly furloughed from TWA, should be allowed to go to new hire classes at AA before any FTPs would be called for a AA new hire class under the Flow-Through Agreement. Arbitrator LaRocco rejected this argument. He concluded that the TWA pilots who were furloughed directly from TWA LLC were de-facto new hire pilots for the purposes of the Flow-Through Agreement. When AA started new hire classes, the rights of the FTPs were triggered and the FTPs were entitled to be called for these classes under the provisions of the Flow-Through Agreement. In his remedy decision, Arbitrator LaRocco awarded AA seniority numbers to an additional 154 American Eagle Flow-Through pilots. These numbers were at the bottom of the AA seniority list but with the effective date of April 30, 2008.

FLO-0107. Effect of Expiration of Letter 3 / Supplement W. Arbitrator Richard Bloch – Award June 30 2008.

APA argued that upon expiration of Letter 3 that all AA seniority numbers and transfer rights of Flow-through pilots that had not yet transferred to AA should be forfeited. This would mean that these pilots would never be allowed to flow-through to AA. Arbitrator Bloch rejected this argument and held that the AA seniority numbers held by the FTPs were vested rights, even if the FTPs had not been able to start work at AA before the expiration of the Flow-Through Agreement.

FLO-0108. Flow-Through Pilots Wrongfully Withheld from Transfer to AA. Arbitrator George Nicolau—Award October 18, 2009; Supplemental Remedy Award April 9, 2010.

After Arbitrator LaRocco had ruled in FLO-0903 that the former TWA pilots who had not worked at AA were new hire pilots for the purposes of Letter 3, the APA permitted this group of TWA pilots to take positions in new hire classes ahead of the FTP. APA again argued that the TWA pilots were entitled to be placed in the new hire classes ahead of the FTPs—the very argument rejected by Arbitrator LaRocco in FLO-0903. APA also argued that LaRocco's decision should not be followed. AA joined in APA's contentions. Arbitrator Nicolau rejected the APA's (and AA's) argument. In the remedy phase of the decision, APA presented off-the-record evidence to Arbitrator Nicolau that influenced the remedy he provided. The remedy Nicolau made was adverse to the interests of the FTPs and favored the interests of other pilots, particularly the TWA pilots, that APA represented.

Equity Distribution Challenge. Arbitrator Stephen Goldberg – Award October 15, 2013.

APA argued that the FTP's pension credit should not start until the FTP was actually working at AA, thereby disallowing credit for the time they were wrongfully withheld from transfer to AA. At the same time, APA argued that the TWA Pilots, including those who had been directly furloughed from TWA and never worked at AA, were eligible for pension credit even during the time that they were on furlough and not actively working at AA.