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BY U.S. MAIL and BY EMAIL TO kennedy@ask-attorneys.com
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In Re: Integration of Seniority Process For American Airlines/U.S. Airways
Pilots – Protection Of Interests of American Airlines Flow-Through Pilots

Dear Mr. Kennedy:

Thank you for your letter of July 9, 2015. However, your letter does not respond to the specific questions I asked nor provide the requested stipulation respecting regional carrier service I requested. In addition, your letters have not fully responded to the questions and requests we have previously made in my letters dated June 25, 2015, June 17, 2015 and my June 3, 2015 letter to Captain Stephens.

While I understand that AAPSIC has withdrawn its proposed integrated seniority list, there is no reason from my clients to think that AAPSIC will not resubmit the proposed integrated seniority list in substantially the same form or that any negotiations with the West and New East committees would not reflect the AAPSIC proposed list as well.

Similarly, AAPSIC has not withdrawn from the stipulation regarding longevity at regional air carriers, including American Eagle. While I have noted that the AAPSIC's list asserts that longevity is not used as a factor in its proposed list, there is no guarantee that longevity will not be used by the arbitrators in formulating a list even if AAPSIC does not propose to use longevity.

While I note your assertion that excluding regional air carrier service is consistent with other seniority list integrations, I do not think that is the case or an appropriate stipulation for this merger.

First, I do not think there is any general rule such as you assert. The decision of Arbitrator Nicolau in the USAir/America West merger included pilots in Mid-Atlantic Airways, who had not flown at all for US Airways and had no apparent rights to jobs at US Airways, in the integrated USAir/America West seniority list. *US Airways and America West Airlines* (Nicolau 2007) ("Nicolau Decision") pp. 20-21. Similarly, the

arbitration in *Republic Airlines and Hughes Air-West* (Bloch 1981) including time flying under a lease to Saudi Arabia. Decision p. 36.

Second, whether to include or exclude time is, like other seniority merger issues, a factual question. It is well-established that, in all seniority merger arbitrations, “each case turns on its own facts.” Nicolau Decision, p. 19. Issues of longevity often reflect pilots’ “sweat equity” in their carrier’s operations, including financial sacrifices by pilots to help their carrier. See, e.g., Nicolau Decision, p. 14. Such “sweat equity” is abundantly present in the case of the Eagle Flow-Through Pilots. I would, in particular, note the following:

- The Flow-Through Agreement represented an integration of AA and Eagle pilots. This was a significant benefit to their joint parent company AMR.
 - The negotiation of the Flow-Through Agreement, and its acceptance by the Eagle pilots, was critical to resolving labor disputes at AA in 1997 between AA and APA. Among these issues was AMR’s desire to allocate new regional jets to American Eagle while APA desired that these regional jets be allocated to AA and flown by pilots APA represented.¹
 - The fact that APA wanted AMR to give these jets to AA in 1997 rather than to Eagle highlights the fundamental point that time flying these jets should be included in overall seniority where all the flying was done for AMR-owned carriers.
 - AA obtained a source of experienced jet captain pilots whose qualifications would be readily determinable from their performance at Eagle.
 - Eagle obtained the benefit of being able to retain experienced pilots because of the future job opportunities that would be available to Eagle pilots at AA. The promise of jobs at AA was a disincentive for Eagle pilots to seek employment with other airlines and competitors with AA or Eagle. The training freezes and operational holds at Eagle also allowed Eagle to keep experienced captains for Eagle’s operations; captains would be willing to stay at Eagle during such holds because of the anticipated move to AA once the hold was lifted.

¹ ALPA represented the pilots at Eagle. The various corporate entities that were American Eagle had been combined into a single bargaining unit in about 1995.

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- Eagle pilots took financial and career risks in accepting the Flow-Through Agreement and in anticipation of moving to AA.
 - Rather than leave Eagle for jobs at other mainline carriers, they stayed at Eagle in anticipation of jobs at AA once the various holds on moving to AA were lifted.
 - They exposed themselves to pay and status reductions under the flow-down provisions of the Flow-Through Agreement. Flow-down was a critical factor in resolving the AA/APA labor disputes involving allocation of regional jets. By exposing themselves to the risks of flow-down, the Eagle pilots directly contributed to the resolution of labor disputes at AA and AMR's desire to allocate regional jets to Eagle rather than AA.
 - In fact, flow-down became the dominant aspect of the agreement until mid-2007 when AA began hiring new pilots. About 378 AA pilots—including many of the TWA-LLC pilots on the AA seniority list who had never flown for AA—flowed-down and displaced Eagle jet captains.² In contrast, only 124 Eagle Pilots had managed to flow-up to AAL before September 11, 2001.
 - Eagle pilots accepted the 1997 collective bargaining agreement at Eagle entirely because of the existence of rights under the Flow-Through Agreement. The pilots initially rejected the proposed contract in 1997; they thereafter voted to accept it only when they were threatened with loss of flow-up rights if they did not ratify the proposed contract rather than holding out for better contract terms.

Third, other facts of this case—also essential to the general rule that each case turns on its own facts—demonstrate that service at Eagle for the Flow-Through Pilots should be considered as part of the longevity, sweat equity and career expectations elements of seniority integration.

- The Flow-Through Agreement was all about the career expectations of Eagle pilots. As noted above, they sacrificed and remained at Eagle to obtain the promise of advancement to AA.
- The Eagle pilots' rights to flow-up to AA were repeatedly frustrated by APA and AA, resulting in numerous arbitration decisions finding that their flow-up rights were violated. See FLO-0107 (Bloch 2008); FLO-0108 (Nicolau 2009 and 2010); FLO-0903 (LaRocco 2007 and 2008). As a

² Arbitrator LaRocco in FLO-0903 (2007) noted that 174 of the 378 pilots who flowed-down were former TWA-LLC pilots. Decision, p. 17.

result, Eagle pilots were forced to stay at Eagle longer than justified. While they should have restarted moving to AA in 2007, they did not move to AA until 2010.

- TWA-LLC pilots, who had never been previously hired by AA, started moving to AA in 2007 because of the violations of the Flow-Through Agreement noted in the above arbitration decisions. Consequently, these TWA-LLC pilots gained an extra three years of longevity at AA over Eagle pilots who were kept at Eagle because of AA's and APA's violations of the Flow-Through Agreement.
- APA's agreement on longevity to include only time at AA or mainline carriers is little more than an agreement to take advantage of APA's prior violation of the Flow-Through Agreement, to give an additional reward to the TWA-LLC pilots who benefitted from these violations and to impose an additional burden on the Flow-Through Pilots who were the victims of AA's and APA's violation of their rights.

Accordingly, issues of longevity, career expectations and career and economic sacrifice for the discrete group of Flow-Through Pilots remain factors that we believe are not being factored appropriately into the proposed seniority lists or addressed in the SLI arbitration. Indeed, the stipulation to exclude regional service undermines consideration of these factors for the Flow-Through Pilots. This makes it all the more important for the Flow-Through Pilots to obtain the information we have previously requested in order to protect their interests. Accordingly:

A. Please respond to the questions and information requests in my letter dated June 25, 2015 (referred to by you as my June 24 letter) regarding AAPSIC's proposed seniority list that remain unanswered.

B. Please respond to the questions and information requests in my letter dated June 17, 2015 (referred to by you as my June 16 letter) that remain unanswered.

C. Please respond to the questions and information requests in my letter to Captain Stephens dated June 3, 2015 that remain unanswered.

D. Please provide me a copy of the stipulation on service with regional carriers.

E. Finally, in reviewing AAPSIC's proposed integrated list, we cannot determine which pilots have been allocated to the status and category groups AAPSIC has made. Please provide AAPSIC's status and category allocations for pilots underlying its proposed integrated seniority list.

For your convenience, let me reiterate the questions and requests involved that remain unanswered from my prior correspondence.

Questions from in my letter dated June 25, 2015:

1. Page 71, footnote 9 of AAPSIC's brief states, in part: "The Merger Committees have stipulated that service at regional affiliates (including American Eagle) is not credited for purposes of longevity in this proceeding." We are uncertain what this statement is intended to mean. Can you explain how, if at all, longevity was used to construct AAPSIC's proposed integrated seniority list?

What was the purpose of this stipulation?

Please provide a copy of this stipulation.

2. Looking at AAPSIC's proposed integrated seniority list, a large block of US Airways pilots have been inserted starting at seniority number 13561 and ending at number 14316. This appears to be Item 7 on page 76 of APPSIC's brief plus the pull and plug US Airways pilots. Item 7 appears to be based on Ratio 6 (page 75) that covers pilots before the last (Ratio 7) category of Post-2007 pilots. The practical effect of this insertion is to drop the seniority of the remaining 124 AA pilots by about 755 numbers.

What is the reason for this insertion?

Please provide the dates of hire (and other seniority dates if other dates were used) for the US Airways pilots on the foregoing block of pilots?

Please provide the pre-integration seniority dates for the AA pilots at numbers 13560 and 14317?

3. Ratio 7 is based on Post-2007 hiring. AAPSIC's brief (p. 75) indicates that Ratio 7 includes 124 AA pilots. Earlier in the brief, AAPSIC describes this group as including all AA pilots who came onto the property post-2007 and that this group would be integrated with post-2007 US Airways Third List pilots on a ratio basis (Brief pp. 74-75). This ratio arises from the relative number of pilots hired with post-2007 seniority numbers.

It is our understanding that the 124 AA pilots in this group are all Flow-Through Pilots with AA seniority numbers arising because of the remedy provided in FLO-0903 awarding 154 AA seniority numbers to Eagle pilots. Under this award, it is our understanding that each of these AA pilots had a seniority date of April 30, 2008. Can you confirm or clarify this?

Please provide the pre-integration seniority dates for the AA pilots (if other than April 30, 2008) and the date-of-hire dates for the US Airways pilots in this section of the integrated seniority list?

In addition to the foregoing previously asked questions, please explain why AAPSIC has used a post-2007 date. The constructive notice date in the

USAir/America West merger was about November 2005 and the Third List pilots were defined as pilots hired after that date in 2005, not post-2007.

4. The Constructive Notice/Third List issue related only to the job expectations and seniority placement at US Airways following the East-West merger, not to job expectations or seniority placement at AA.

Please explain why the 124 AA pilots hired post-2007 were integrated with the Third List group of US Airways pilots and the reason for the ratio used?

Please explain why and how these 124 AA pilots had notice that their career expectations at AA would be diminished in reference to the US Airways pilots placed on the Third List or in reference to the original US Airways pilots who were not on the Third List?

Please explain why any of these 124 AA pilots should have their career expectations at AA diminished by insertion of US Airways Third List pilots ahead of them on the integrated seniority list through the ratios used?

Will you please explain why these 124 AA pilots were put in Ratio 7 rather than in Ratio 5 with the other AA pilots on the pre-merger AA seniority list?

Questions from my letter dated June 17, 2015:

1. We request copies of any and all documents submitted by the TWA-LLC pilots to the APA/AAPSIC pertaining to the seniority list integration (SLI) involving US Airways' pilots.

2. Please clarify what you intended to mean in your statement about relative placement on the seniority list? In particular, did you intend to allow for the possibilities indicated in numbered paragraphs 1 or 2 (at page 2 of my June 17, 2015 letter), or numbered paragraph 3 (in my June 17 letter) was what you intended to convey. If something different than the situations described in numbered paragraphs 1, 2 or 3, please clarify what it was you intended to mean by your comment.

3. One of the AAPSIC committee members stated that "Pilots will be credited for the time they are on the AA property." Was this statement intended to state that seniority integration or placement on the integrated list will be based on the date a pilot began working on the AA property?

Questions from my letter dated June 3, 2015.

1. What is APA's and AAPSIC's position on:

Seniority credit for time served at U.S. Airways and any regional subsidiaries. (While you note the issue of Mid-Atlantic service, these pilots were placed on

the US Air seniority list; you do not indicate if AAPSIC proposes any revision to their treatment on the integrated seniority list.)

Seniority credit for time while on furlough (including furlough from U.S. Airways, AA or other carriers).

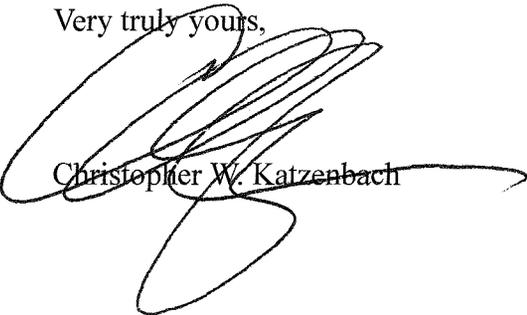
Seniority credit for time served at American Eagle, Trans World Airlines, or other carriers. (Again, while you indicate that seniority at regional carriers will not be included, it is unclear how AAPSIC is treating time at American Eagle for AA pilots who flowed-down to American Eagle when on furlough from AA.)

2. One of the AAPSIC's committee members stated that "Pilots will be credited for the time they are on the AA property." What was meant by this statement? (I repeated this question in my June 17 letter, but have still not received an answer.)

3. What is AAPSIC's position whether a pilot's Length of Service ("LOS") for pay purposes will affect the pilot's placement on the integrated seniority list?

As always, thank you for your prompt attention to these matters.

Very truly yours,



Christopher W. Katzenbach