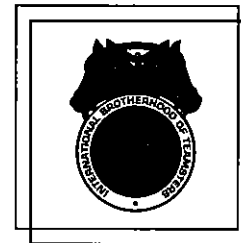


# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

AFL-CIO



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## MESSAGE FROM AIRLINE DIVISION DIRECTOR REGARDING CONTINENTAL TECHNICIANS AND RELATED RATIFICATION VOTE

On March 30, 2005, the Continental technicians and related employees, pilots, dispatchers and simulator technicians ratified their tentative agreements with the Company. The flight attendants did not ratify their agreement. All work groups, except the flight attendants, agreed to implement their agreements with the Company. This message is to provide further information to you on the Airline Division's decision to go forward with implementation of the technicians and related ratified tentative agreement.

It must be understood at the outset that the leadership of every unionized work group determined that the Company required the relief it requested. Both ALPA and the IBT had multiple financial experts review confidential information provided by the Company and determined that the Company was suffering significant financial distress. The experts also concluded that without the required relief, the Company would seek Chapter 11 bankruptcy protection this year. The Company's financial situation has only deteriorated further since these conclusions were reached.

### GAINS MADE IN THE TENTATIVE AGREEMENT

In addition to the Company's need for relief, the technicians and related group obtained positive gains in the tentative agreement. In return for the concessions accepted by the employees, the Company agreed to the following:

#### ***Health & Welfare***

- No changes in benefits for health benefit plans provided by the Company (health, prescription, dental, vision, or life plans) in 2005;
- For those plans, no increase in co-payments, deductibles or premiums in 2005;
- In 2005, the Company will not change the unlimited lifetime maximum for plans, not including "build your own" plans;
- After 2005, the Company will not increase the amount of office visit co-pays, specialty care visit co-pays, employee coinsurance, hospital visit co-pays, emergency visit co-pays, urgent care co-pays, deductible amounts, out-of-pocket maximums;

- For the duration of the agreement and thereafter, the Company will not increase the aggregate premium for technician and related employees beyond 20% of total cost.

These gains are in contrast to the reductions in health & welfare benefits that employees at other carriers have been forced to endure.

### ***Pension***

- Company must maintain the defined-benefit CARP plan for the duration of the agreement.

This guarantee of a continued defined benefit pension plan is a significant gain in light of the fact that the employees of United, Delta and USAir have all lost, or will soon lose, their defined pension benefit plans.

### ***Furlough Protection***

- The Company agreed to a no-furlough clause for the duration of the CBA. The exception to the no-furlough guarantee is narrow and only permits furloughs if an event beyond the Company's control occurs. Those events are strictly defined in the agreement.

This enhanced job protection is in stark contrast to the massive job losses suffered by mechanics at Northwest, Alaska, United, USAirways and, most recently, Delta. This guarantee is in addition to the fact that *the scope protections of our contract were not changed in this agreement*. Again, other mechanic groups, such as USAirways, have been forced to agree to increased subcontracting. Delta Airlines recently announced new subcontracting that will cost up to 2,000 mechanics jobs.

### ***Section 1113/1114 bankruptcy protections***

- In the event the Company does enter bankruptcy, the Company has promised not to seek any further permanent reductions from the technicians and related except in the narrow circumstances defined in the agreement. This means with the implemented agreement, the mechanics will not face additional concessions unless a significant change in the Company's financial condition occurs.

### ***Stock options/profit-sharing***

- The agreement enhances the profit-sharing as well as grants stock options to the technicians' work group. These increases give a chance to make up for wage reductions.

### ***Wage increases in 2007 & 2008***

- The agreement provides for 2% wage increases in 2007 and 2008. These increases will recover almost the full amount of wage rate reductions.

***“Me too” with non-union groups***

- The technicians are protected in the event management or a non-union group receives an increase. Any such increase must also be granted to the technicians and related employees.

***Smallest relative share of concessions***

- It should also be remembered that the amount of concessions requested of the technicians was the smallest relative to the other work groups.

***No further reductions***

- As noted above, with implementation of the tentative agreement, our work group will not face further demands for concessions except in the very narrow situations defined in the Section 1113/1114 letter of agreement.

**RATIFICATION VOTE**

All of these factors warranted ratification of the tentative agreement. The technicians and related employees clearly agreed with a 72% vote in favor of the agreement. This vote established that the TA was accepted subject to (a) the other work groups ratifying and (b) if one or more did not ratify, then the Union had to elect either to go forward or not go forward with the TA.

The contingency that all other employee work groups must ratify was provided in a letter of agreement included in the tentative agreement package that was sent to every member. That LOA also provided that the ratification contingency could be waived by the Union. The Union intended to exercise this waiver only if it were convinced that doing so was in the best interests of the technician and related employees.

In consultation with Airline Division counsel, I was advised that legally the TA was ratified by the member vote and, if one or more other groups did not ratify, the Union then was required to decide whether or not to go forward. There would not be another vote of the members to decide that issue.

The options available to our work group were relatively few: (1) All groups ratified and all TA's were implemented (no decision on implementation would be necessary in this instance); (2) A group failed to ratify and another group who had ratified elected to not go forward thereby effectively rejecting its TA; (3) One group rejected and the other groups elected to go forward with their TA's.

ALPA ratified and announced the results immediately after the close of the stock markets. The IBT did the same. TWU announced its ratification later in the evening. We could not determine what decision the IAM (F/A's) had reached well into the night. There also existed the issue of what might happen should there be a rejection by more than one major group.

### **RISK OF BANKRUPTCY**

A failure to implement the tentative agreement by the unions raised a certainty of bankruptcy. In the event of bankruptcy, our work group would suffer greater reductions than provided in the tentative agreement. One, the Company's financial condition had deteriorated further. Two, the overall industry condition, including fuel prices had worsened. Three, a failure to ratify and implement by the unions would violate the Company's agreements with its financiers. Four, the time period in which to effect the concessions would be shorter. Each of these factors made a bankruptcy filing a certainty. They also would contribute to far greater demands for concessions. In bankruptcy, creditors could push for greater concessions from the unions in addition to demands by the Company. This stark reality made avoidance of bankruptcy essential to protect the technicians' interests and preserve the gains made in the tentative agreement.

It should be understood that if most groups implemented reductions and one or more did not, the Company could use a consensual bankruptcy proceeding in agreement with its creditors to demand greater concessions than provided for in the TA. If the Company entered bankruptcy without the IBT implementing the tentative agreement, none of the protections provided in the Section 1113/1114 letter would have been in place for the technicians. Also, most, if not all, of the gains made in this tentative agreement would have been lost as the Company made greater demands for concessions.

### **ADDITIONAL FACTORS AFFECTING IMPLEMENTATION**

Prior to the result of the ratification vote, the Company communicated to me that if any work group failed to ratify it would face even greater demands for concessions.

An additional factor favoring implementation of the ratified agreement was the Company's agreement to change the date for setting the price of the technicians' stock option under the equity grant agreement to the same date as the pilots. Given the risk of bankruptcy and the gains obtained in the tentative agreement that would be lost in bankruptcy, the added value of the accelerated strike date, while not as significant for the technicians, provided more reason to join the pilots and other work groups in implementation.

It must also be understood that given the agreed implementation date in the tentative agreement of April 1<sup>st</sup>, it was not an option to wait and make a later decision on whether to proceed with implementation. The decision was either implement together with most of the work groups or reject along with the flight attendants. This was the basis on which the Union had to act.

## DECISION TO JOIN ALPA AND TWU IN IMPLEMENTATION

While the flight attendants rejected their tentative agreement, the work groups represented by ALPA and TWU went forward with implementation. After careful consideration of all the factors discussed above and in consultation with our legal advisors, the Airline Division Director elected to proceed with implementation of the ratified tentative agreement along with TWU and ALPA. This election had to be made prior to midnight on March 30, 2005. At the time the decision was made, TWU had already elected to implement its agreement. The IBT's election to waive the ratification contingency was conditioned on ALPA's implementation of its agreement.

This decision was motivated by (1) consideration of the members' best interests and (2) compliance with the legal requirements involved. We also were mindful of rejections elsewhere in the industry that led to disastrous results for members, i.e., AMFA at NWA (loss of 50% plus jobs), Alaska (Loss of 50% of jobs), and United (loss of 75% more in wages than had been offered before their TA was rejected). These in part came from a failure of leadership that led to a tragedy for those members. In this case, your Union had gone a long way in bargaining to institute job security protections and other gains that we believe important to the members. We could not see any good for the members coming from a rejection. Accordingly, in the interests of our members, the Union made the decision to proceed with implementation.

As we move forward, we must join together to ensure the Continental technicians and related employees realize the gains made in this agreement and overcome the difficulties currently facing the industry.

Fraternally,



Don Treichler.  
Director, Airline Division