

## LOA #29 – Industry Reset

\_\_\_\_\_, 2016

Captain David Bourne  
Director, Airline Division  
International Brotherhood of Teamsters  
25 Louisiana Avenue, N.W.  
Washington, DC 20001

Dear Captain Bourne:

This letter will confirm our agreement that notwithstanding anything to the contrary in 2016-2022 Technicians and Related Agreement (“United-IBT Agreement”), if at the effective date of the United-IBT Agreement plus 24 Months, 48 months, on the amendable date and every 12 months after the amendable date provided no successor agreement has been reached, United Airlines, Inc.’s (“UAL”) Annual Employee Wages and Benefits is not at least two percent (2%) higher than the average of American Airlines’ and Delta Airlines’ Wages and Benefits, then United’s basic wages will be adjusted so that United’s Wages and Benefits are two percent higher than said average.

1. Definitions.

- a. “Covered Classifications” means employee classifications covered by the United-IBT Agreement.
- b. “AA CBA” means the joint American Airlines (“AA”) collective bargaining agreement(s) in effect as of the Measurement Date that govern(s) terms and conditions of employment of AA’s class(es) or craft(s) of employees performing work equivalent to that performed by the Covered Classifications. If an equivalent AA classification is not covered by a CBA, then for that classification “AA CBA” shall mean the applicable AA policies governing Annual Wages and Benefits. If legacy American Airlines and legacy US Airways have not reached a joint collective bargaining agreement before the Measurement Date, the legacy US Airways collective bargaining agreement will be applied as the “AA CBA.”
- c. “DL CBA” means the Delta Airlines (“DL”) collective bargaining agreement(s) in effect as of the Measurement Date that govern(s) terms and conditions of employment of DL’s class(es) or craft(s) of DL employees performing work equivalent to that performed by the Covered Classifications. If an equivalent DL classification is not covered by a CBA, then for that classification “DL CBA” shall mean the applicable DL policies governing Annual Wages and Benefits.
- d. The first “Measurement Date” is the first day of the month that is 24 months after the effective date of this agreement. Subsequently, there will be a measurement date 48

months after the effective date of this agreement, followed by on the amendable date of the agreement and on the first day of the month following each 12 month anniversary of the amendable date. The parties shall meet to commence the process 6 months prior to the first Measurement Date.

- e. "Annual Employee Wages" is the average of the sum of the highest, hourly rate in each of the following categories for an A&P, line aircraft technician:

- 1) basic wages
- 2) license premiums
- 3) line premium
- 4) longevity premiums
- 5) VEBA premium/contributions
- 6) profit sharing

at the Measurement Date times 2080 hours. For example, if the respective rates are \$40.06, \$5.25, \$1.00, \$1.00 and \$1.20. The calculation is  $\$40.06 + \$5.25 + \$1.00 + \$1.00 + \$1.20 = \$48.51 \times 2080 = \$100,901$ .

- f. "Annual Employee Benefits" includes the following:

- 1) retirement benefits including defined contribution retirement plans (top-of-scale), defined benefit retirement plans
- 2) active medical plan cost share

- g. "Time off Adjustments" is the annual cost adjustment for the following:

- 1) sick pay accrual (max of available accrual)
- 2) vacation accrual
- 3) holidays (including both fixed and floating)

- h. "Annual Wages and Benefits" is the sum of Annual Employee Wages, Annual Employee Benefits and Time-off Adjustment for 10, 20 and 30 years of service weighted 20 percent, 60 percent and 20 percent respectively.

- i. "Scope Adjustment" is a final adjustment based on the ratio of the number technicians and related crafts covered in the IBT CBA per mainline aircraft as follows:

- 1) Number of Full Time Equivalent Employees (FTEs) in comparable positions performing aircraft maintenance covered in the United IBT CBA at each United, American and Delta (adjusted for FTEs dedicated to outside

maintenance). The number of FTEs is then divided by the total number of mainline aircraft (owned or leased) as reported in the most recent SEC annual 10-K filing.

- 2) The ratio of technicians (and related crafts) per aircraft for each carrier will be applied to the value calculated as the summary of “Annual Wages and Benefits” at each carrier, as described above, using the United ratio as the baseline to adjust the Annual Wages and Benefits values of AA and DL by the difference in staffing ratios versus UA
  - 3) This ratio will be applied to adjust UA Annual Wages and Benefits at 25 percent of full differential determined. Headcount information must be jointly verified and agreed to by both parties (UAL and IBT) to ensure that the equivalent classifications represented by IBT at United and other carriers (DL and AA) are represented in the analysis. If agreement cannot be reached on the validity of most current available representative headcount from either AA and/or DL then that carrier will be excluded from in the analysis. The Scope Adjustment cannot cause a decrease or increase to United’s adjusted rate by more than fifty basis points if two carriers are used in the analysis or twenty-five basis points if one carrier is used in the analysis.
- j. “Cost Model” is an economic model, based in MS Excel, which calculates Annual Employee Cost. The model is to be agreed upon by economic experts from the company and the union within two months after the date of ratification of UA’s agreement as Exhibit “A”. If an agreement is not reached within this timeframe, the matter may be submitted for expedited arbitration as provided in Article 1 G.
2. Adjustment Calculation. If the results of the analysis demonstrate that, as of the Measurement Date, UAL’s Annual Wages and Benefits is less than 102 percent (102%) of the combined average of Annual Wages and Benefits under AA CBA and DL CBA, then UAL shall adjust basic wages effective at the beginning of the first pay period after each measurement date to be 102 percent of the combined average. If it is determined that a one-time adjustment will take place, any subsequent pay increases will not take place until such time that the rates in the original UA CBA exceed those rates in the adjusted scale. No adjustment covered in this letter of agreement can cause wage rates to decrease. All other scales in this agreement will also be adjusted so that the percentage difference between each scale and the technician scale remains the same. All lead position pay rates will be recalculated based on the 5% methodology outlined Appendix A.

The parties shall meet to review the Cost Model for the purposes of reaching an understanding of the adjustment analysis. In the event the parties are unable to reach an understanding relative to the adjustment analysis, the matter may be submitted for expedited arbitration as provided in Article 1 G.

Sincerely,

P. Douglas McKeen  
Senior Vice President, Labor Relations

Captain David Bourne  
Director, Airline Division  
International Brotherhood of Teamsters

AGREED, this day of \_\_\_\_\_, 2016

Final