



# THE X-RAY

A LOOK INSIDE YOUR ALPA ARW NEGOTIATION

**September 25, 2015**

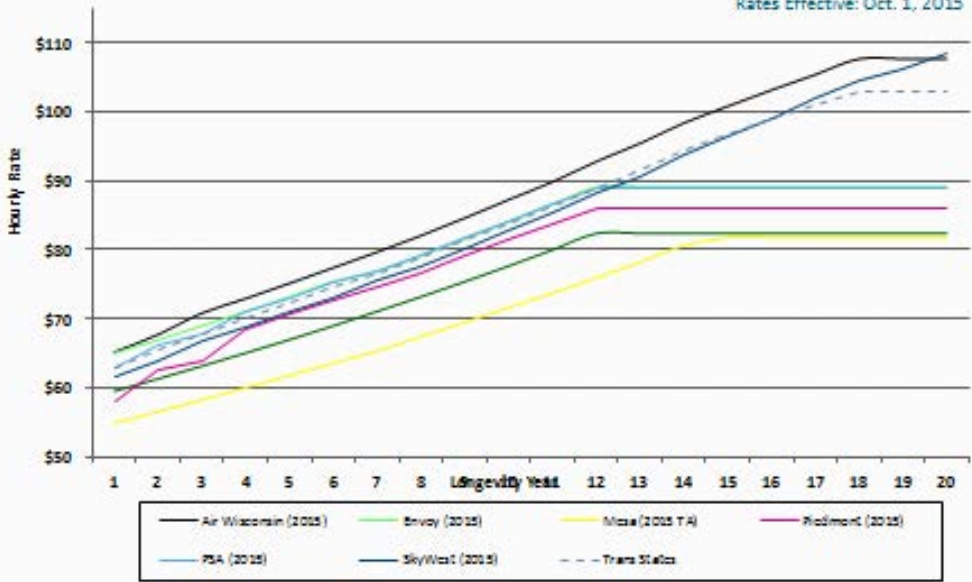
## 2001 Vs. Today

As a result of feedback from you, the pilots, the foremost subject of today's X-Ray is going to be the pre-concessionary 2001 agreement. A very common question posed to P2P chairman Jared Armstrong during crew room visits has been variations of "why can't we just go back to the 2001 agreement rates of pay?" Moreover, many of you have expressed a desire to just restore the 2001 agreement altogether and we will also address that question. Additionally, we will touch on the Trans States contract extension LOA, which presents the pilots with the second best 50-seat pay rate in the industry. The three-year deal also secures cost-of-living adjustments, 401(k) improvements, large reductions in capped insurance premiums, and a signing bonus.

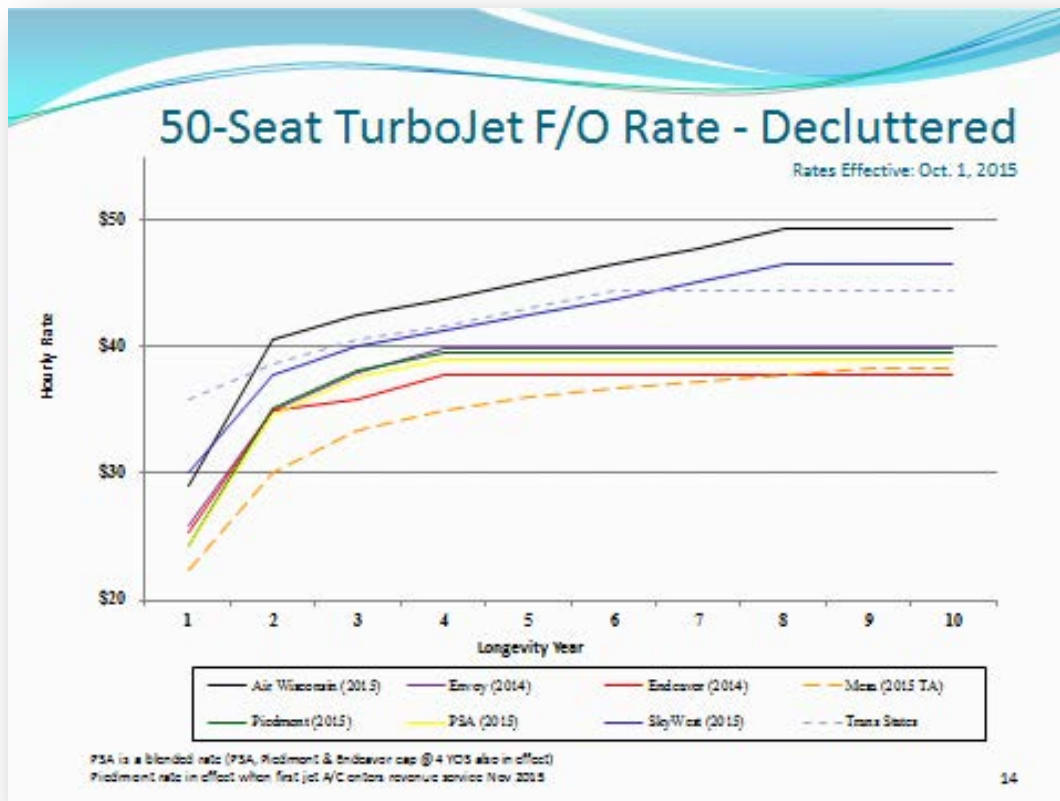
Please reference the charts below, which delineates all recent contracts/TAs for U.S. regional airline 50-seat rates of pay, as compared to Air Wisconsin. The new TSA contract is included therein.

# 50-Seat TurboJet CA Rate -- Decluttered

Rates Effective: Oct. 1, 2015



PSA is a blended rate (PSA, Piedmont & Envoy cap @ 12 YOB also in effect)  
 Piedmont rate in effect when first jet A/C enters revenue service Nov 2015



As you can see, Air Wisconsin (the black line) is currently at the top of the industry for both First Officers and Captains in the 50-seat category. Although your Negotiating Committee attempted to bargain for higher rates of pay, (believe us when we say we want to get paid more too) we weren't able to achieve new raises in the near term, precisely because we're at the top.

Keep in mind that when we started this bargaining cycle in 2010, the company's stated goal was to devalue our contract to the extent that Air Wisconsin pilot costs were one of the bottom two regional carriers. Also, our bargaining goals were based on pilot surveys that stated that quality of life is equally as important as rates of pay. Ultimately, we ended up with a net positive TA where our pay will continue to diverge from the other FFD carriers at the unchanging rate of 1.5% per year, which is unheard of in any segment of the airline industry.

We made it clear to the company early on in negotiations that the 1.5% increase was not something we were willing to give up, cash in for a short-term, feel-good bonus, or hand over for some other carrot. We will continue to diverge from the Fee For Departure (FFD) carriers, until such time that another carrier achieves significant pay raises. At that juncture, it is likely that we are back at the bargaining table and negotiating in a vastly different regional airline climate than we have today. The MEC and the Negotiating Committee believe that the bargaining climate will be more favorable in two years to compound what we have achieved with the current TA. This is, of course, barring any events that would negatively affect the airline industry.

The pay scales from the 2001 agreement below are the last pay step increase in 2005. As you can see from the table, the 2001 agreement pay scales have been eclipsed by the current book contract. The most important takeaway is that the 2001 agreement did not have a 1.5% pay increase per annum, so we would get paid less than we do today. It could be argued that we would be working under a different agreement, but history shows that 2005-2014 was not the best period for FFD pilots to be bargaining. This is speculation, but with the regional airline penchant to drag their feet in negotiations, we likely would not have seen another agreement for years, perhaps not even until the current TA.

Year	ARW TA Effective Oct. 1st, 2015		ARW Contract 2001 Effective August 1, 2005	
	CL-65		CL-65	
	CA	FO	CA	FO
1	\$65.15	\$29.00	\$63.66	\$25.50
2	\$67.72	\$40.63	\$65.65	\$39.39
3	\$70.81	\$42.48	\$67.65	\$40.59
4	\$72.93	\$43.76	\$69.75	\$41.85
5	\$75.14	\$45.09	\$71.91	\$43.14
6	\$77.40	\$46.45	\$74.13	\$44.48
7	\$79.68	\$47.82	\$76.42	\$45.85
8	\$82.05	\$49.24	\$78.79	\$47.27
9	\$84.59		\$81.22	
10	\$87.25		\$83.74	
11	\$89.85		\$86.32	
12	\$92.79		\$88.99	
13	\$95.42		\$91.75	
14	\$98.37		\$94.58	
15	\$100.80		\$97.51	
16	\$103.14		\$100.44	
17	\$105.39		\$103.45	
18	\$107.67		\$106.60	

Below are the highlights that outline some of the other hot-button items from Contract 2001:

- *Retirement*: Under the 2001 agreement, the maximum company contribution was 7%. Under current book, and the TA, we are benefited with 8%.
- *Per diem*: \$1.70. Under the TA \$1.75.
- *No commuter policy*. Under the TA improved Commuter Policy.
- *3.5:1 trip rig*. Under the TA 4:1.
- *LCAs got \$500 per month no matter how much OE they performed*. Under the

- TA LCAs get \$250 for up to 25 block hours, then \$10/hour thereafter for OE.
- *Pay for dropped trips as a result of training and vacation.* Under the TA no pay for dropped trips for training, but we have bidding for training.

There were a lot of positives in our 2001 contract, but there are also a lot of items we wouldn't want to bring back. Negotiations are a delicate dance between two partners that both have the right to say no. We cannot force our will on the other side any more than they can force their will upon us. Put another way, it is not possible to cherry pick all of the provisions that we love out of the 2001 contract, without significant gives in other areas. Nor can we pound our fists on the table, demand we get what we desire, and achieve a positive outcome.

Could we have been able to achieve many or all of the positives in the 2001 agreement? Perhaps, but at significant costs to other areas. We chose to refuse every concession sought by management, but they continually tried to reintroduce those concessions in every pass at the table which helps explain why it took us five years to reach a TA. We found that bargaining to undo history is simply not a rational way to bargain a new contract. Current concerns always outweigh something that happened in the past, and it wasn't possible to achieve our past goals because you told us your present goals were more important.

It's also important to recognize that the 2003 contract was not completely a bad deal for the pilot group. As much as we object to the 2003 concessions, the minimum pay increase of 1.5% per year we were able to negotiate -- that pay hike that has aggregated year after year after year, is what has put us at the top of the industry today.

Relying on their substantial collective experience, the Negotiating Committee, as well as the MEC, agreed that this deal is the best deal that the pilots can achieve today. That is why we decided to present it to you for an up or down vote.

### The New TSA Contract

The hubbub about the failed Republic proposal has mostly subsided, but there is a new contract ratified on Wednesday at Trans States Airlines. The TSA deal is a definite improvement over their last. It gives them a raise in pay but still leaves a lot to be desired. Their new book insurance premium share has a 2% "administrative cost" added in with an insurance premium cap of 31% of COBRA costs for employee plans only and 36% of COBRA costs for all other plans.

For an apples-to-apples comparison, the TSA TA pay rates for 51-78 seat turboprop and 44-50 seat turbojet are included below. The greater than 50-seat turbojet pay rates are not included.

TSA First Officer	8/1/2015	8/1/16/	8/1/2017	8/1/2018	8/1/2019*	8/1/2020*
YR	DOS	DOS+1	DOS+2	DOS+3	DOS+4	DOS+5
1	\$35.81	\$36.35	\$36.89	\$37.45	\$38.01	\$38.58

2	\$38.59	\$39.17	\$39.76	\$40.35	\$40.96	\$41.57
3	\$40.58	\$41.19	\$41.81	\$42.43	\$43.07	\$43.72
4	\$41.68	\$42.31	\$42.94	\$43.58	\$44.24	\$44.90
5	\$43.00	\$43.65	\$44.30	\$44.96	\$45.64	\$46.32
6	\$44.33	\$44.99	\$45.67	\$46.35	\$47.05	\$47.76
<b>TSA Captain</b>	<b>8/1/2015</b>	<b>8/1/16/</b>	<b>8/1/2017</b>	<b>8/1/2018</b>	<b>8/1/2019*</b>	<b>8/1/2020*</b>
<b>YR</b>	<b>DOS</b>	<b>DOS+1</b>	<b>DOS+2</b>	<b>DOS+3</b>	<b>DOS+4</b>	<b>DOS+5</b>
1	\$62.84	\$63.78	\$64.74	\$65.71	\$66.70	\$67.70
2	\$65.39	\$66.37	\$67.37	\$68.38	\$69.40	\$70.44
3	\$67.93	\$68.95	\$69.98	\$71.03	\$72.10	\$73.18
4	\$70.20	\$71.25	\$72.32	\$73.41	\$74.51	\$75.63
5	\$72.33	\$73.41	\$74.52	\$75.63	\$76.77	\$77.92
6	\$74.52	\$75.64	\$76.77	\$77.92	\$79.09	\$80.28
7	\$76.55	\$77.70	\$78.86	\$80.05	\$81.25	\$82.47
8	\$78.86	\$80.04	\$81.24	\$82.46	\$83.70	\$84.95
9	\$81.30	\$82.52	\$83.76	\$85.01	\$86.29	\$87.58
10	\$83.80	\$85.06	\$86.33	\$87.63	\$88.94	\$90.28
11	\$86.31	\$87.60	\$88.92	\$90.25	\$91.61	\$92.98
12	\$89.03	\$90.37	\$91.72	\$93.10	\$94.49	\$95.91
13	\$91.63	\$93.00	\$94.40	\$95.82	\$97.25	\$98.71
14	\$94.33	\$95.74	\$97.18	\$98.64	\$100.12	\$101.62
15	\$96.77	\$98.22	\$99.69	\$101.19	\$102.71	\$104.25
16	\$98.87	\$100.35	\$101.86	\$103.39	\$104.94	\$106.51
17	\$100.86	\$102.37	\$103.91	\$105.47	\$107.05	\$108.65
18	\$102.96	\$104.50	\$106.07	\$107.66	\$109.28	\$110.92

It is possible that the TSA negotiators used our pay rates and our 1.5% Across the Board as a benchmark while bargaining, so let's talk about the Across the Boards first.

TSA will get a 1.5% raise 2016, 2017, and 2018, with a continuance through 2020, if the contract is extended two years via an LOA. Not quite the raise we enjoy, which continues indefinitely. With exception of first year pay, Air Wisconsin rates are still above the new Trans States contract by an average of 4.09% for Captains and 4.92% for First Officers (not including ARW first-year FO pay). Trans States pay scale improvements are fantastic for the industry and we're looking forward to the day where a 50-seat operator has the bargaining power to set the bar even higher.

Finally, we will compare retirement plans. In the last 10 years virtually all retirement plans have moved to defined contribution plans, usually 401(k)s, so once the money is in your retirement account the company cannot take it - unlike the pension plans (defined benefit plans) the legacy carriers had prior to last decade's bankruptcies.

This table generally shows the maximum amount of your contribution the companies will match, so if it says "3%" the company will match your contribution up to that amount. If you contribute 2% of your pay, the company matches that amount. If you contribute 4% of your pay, the company will pay in 3%. Please see the notes, as not all contribution plans are the same.

	ARW current	ARW 2015 TA	TSA 2015	
1 YOS	ARW company contributions are not dependent on a pilot's longevity. The company contributes 3%, regardless of pilot contribution. In addition, the company will match pilot contributions based on the schedule below.  1% for 3-4% 2% for 5-6% 3% for 7% 4% for 8% 5% for 9%		2%	
2 YOS			2%	
3 YOS			3%	
4 YOS			3%	
5 YOS			3%	
6 YOS			3%	
7 YOS			3%	
8 YOS			(key: company match for employee match)	4%
9 YOS			4%	
10+ YOS			4%	

As demonstrated above, Trans States saw some minor improvements with their retirement but still have a significant gap to close if they want parity with the retirement that we enjoy.

TSA will have improvements to their per diem. Current book is \$1.80 and Per Diem increases to \$1.90 on 08/01/2017 and \$2.00 on 08/01/2019 if the MRJ extension applies. Signing bonuses for Captains are \$2,000 and \$1,000 for First Officers.

With all of their improvements, and there are many, TSA still doesn't have trip rigs, duty rigs, or a minimum day.

Pilot ratification of the Trans States TA is a solid first step in the right direction for our industry and pattern bargaining. Because Air Wisconsin is still leading the 50-seat sector of the industry for pilot pay, retirement, rigs and in other areas, we will need

more good news in the future to leverage gains for our pilot group. We believe the pilot shortage will continue over the next two years and regional carrier pilot groups will benefit. This will put us in a good position for bargaining in 2017.