



AIR TRANSPORT LOCAL 564

WESTERN UNITED STATES

TRANSPORT WORKERS UNION OF AMERICA, AFL-CIO

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January 8, 2007

To: John Conley – TWU International VP ATD – AA System Coordinator

Re: Local 564 Position on PSP and Joint Process Efforts

On January 4, 2007 Local 564's Executive Board met and discussed many issues and events that are currently affecting its membership specifically and the TWU membership as a whole. The Executive Board discussed the importance and serious responsibility it has in representing its members. The Board also discussed the various forms that representation may take. The responsibility of Executive Board is not one that can be taken lightly or without weighing all the possible actions and their associated consequences. The risks must be assessed along with the rewards of any action that is taken and the impact to those who they represent. Many times the Executive Board will be faced with the undesirable task of making difficult decisions that cannot be influenced by politics, but must be made on what is right for the entire membership based on the facts before them. It is the responsibility of that same Executive Board to effectively communicate those facts to its members despite the outcry that may initially result.

Knowing that the responsibility of the Executive Board is to represent its members per the NLRA, TWU Constitution, and Local Bylaws the Executive Board discussed the following topics;

- The Local's participation in joint process efforts
- The Performance Share Plan (PSP) and the planned pay out to upper management

The Local's Executive Board discussed how creating an effective and structured joint process would benefit its members. To make such a process work the Executive Board would need to make a concerted effort on behalf of its members and that it would need to be vigilant in ensuring that the members interests are effectively represented. In light of these concepts the Executive Board came to the following conclusions;

- That Pulling out of all Joint Process Efforts
 - Demonstrates the memberships' extreme dissatisfaction with PSP
 - Is an extreme measure that leaves the membership with no representative to raise issues in a proactive aspect.
 - Abdicates the responsibility of union officers to have any input for possible changes that may affect the membership – strong possibility of having a negative impact on members' current situation
- That Staying involved in the Joint Process Efforts
 - Keeps dialogue between Company and Union open
 - Maintains structure to raise issues on behalf of members – input can be made that can positively impact the membership
 - Maintains the ability of the Local Union's representatives to voice members' dissatisfaction with PSP and its extreme risk to the effectiveness of the future joint process

The Executive Board also discussed the Local memberships' extreme dissatisfaction with the PSP and the anticipated pay outs. The Executive Board will not ignore the memberships' concerns in regards to this form of compensation. Our membership agrees with;

- Appropriate rewards and incentives for all employees of AA
 - Fair and equitable methods of distributing rewards and incentives
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Local 564's membership does not agree with reward and incentive systems that benefit one select segment of the Company and exclude most other employees who also have contributed to the Company's success. The current formula and system that exists under the PSP does not support the spirit of "Working Together" that is being conveyed in our corporate communications. M&E JLTs, ALTs, FLT's, and other joint process efforts are now beginning to make significant progress and the Local understands that future prosperity for AA M&E will improve compensation and job security. Joint Process efforts have turned up many successes;

- 3P Contract work – HAL SFO, Allegiant, Synergy, as well as many others
- MD80 Pulse Line is making great strides in lowering costs
- AFW Futures is working towards freeing up an entire line for 3P and reducing dock days so aircraft can generate additional revenue
- Line Breakthrough Teams are working to lowering costs and generating additional 3P revenue

Positive efforts such as these can not be overlooked and would not be as successful without the skills and expertise of the TWU membership.

Local 564 Position

Local 564 strongly opposes the current PSP structure and urges AA Senior Management to seriously examine and change the way rewards, incentives, and any additional variable compensation is paid out. Such plans should pay out at an appropriate level to all employees of the Company based on the same metrics or formula. The PSP in its current state further aggravates and grows the rift that exists between management and labor at AA.

The Local will continue its involvement in all joint process efforts and will continue to argue against the current PSP structure. The Executive Board maintains that senior management must address the negative effects of the PSP. The Local Executive Board is resolute in their effort to make known that its membership is extremely dissatisfied with the PSP and that failure to address this issue will risk the future of frontline participation in any "Working Together" or "Joint Process" efforts.

The Local will continue to review its position and will evaluate and adjust as necessary.

Fraternally,

(Signed original on file)
Chris Oriyano
Financial Secretary Treasurer
TWU Local 564 AFL-CIO

CC: G. Yingst
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