

Bobby:

Per your request, I have reviewed and researched what I believe are a number of misconceptions surrounding the AMR Profit sharing Plan and its removal from the MOU.

- AMR has not paid profit sharing to employees in since 2000, when the company earned a record \$1.3 billion in pre-tax profits. (I checked records back to 1990). There is no reason to assume a profit is likely after a 13 year drought. Remember the 2003 Restructuring Plan also promised profit sharing.
- Profit sharing is not (as some believe) the same as a pay raise. In its simplest form, profit sharing is a onetime lump sum payment to employees based on company profits from the previous year. The company must earn a profit each year if there is to be any pay-out.
- Under the AMR-TWU formula, 5% of pretax profit will first be placed in a pool for distribution to all AMR employees as a lump sum. If the company earns a billion dollars, for example, 5% of that profit (\$50 million) would be put into a profit sharing pool to be divided among all company employees. Since the TWU represents about 25% of the company payroll, our share would be \$12.5 million. For the average TWU member this would mean about \$625 as a onetime payment. By comparison, a 4.3% pay increase for an AMT is \$1.20 per hour, or over \$2500 per year in his paycheck, guaranteed. This 4.3% will also compound every year with other pay increases, so has a permanent and increasing value that profit sharing does not.

I also checked with our senior leadership that was directly involved with the high level merger MOU discussions, and I believe the following points I learned are also important.

- To begin the meeting, US Airways negotiators congratulated the TWU for doing such great work preserving jobs. They would never have allowed an agreement with a 35% outsourcing cap, they said. They fully expected the TWU to simply agree and sign an MOU that they had written, which included no money.
- US Airways was under no obligation to negotiate with us. A merger does not require TWU consent or participation, and will go through with or without an MOU with us.
- The 4.3% pay increase was negotiated from zero, and was entirely upside (new money).
- The 4.3% pay increase was not tied to any formula or specific dollar value, nor was it based on what APA or APFA did. Discussions were centered on the highest percentage pay increase we could extract in exchange for an MOU to make a merger transition easier for them, without coming away with nothing.
- The TWU did not “trade” profit sharing for the pay increase. US Airways was adamant that an MOU that contained any money for our members would require removal of the profit sharing provision.

Let me know if you have any questions.

John

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