INTEREST ARBITRATION
THE FINAL STOP

Under the Railway Labor Act, negotiations follow a predetermined legal process referred to commonly as "Section 6 Negotiations." The parties first attempt to reach an independent agreement. If that fails, a mediator appointed by the National Mediation Board can be brought into the process at the request of either party. The process has a road, which can ultimately lead to strike action by the workers as an economic weapon to pressure the Company into meeting a series of demands by the workers.

- Our Amendment Round was supposed to start in January.
- In October, management came to AFA and asked if we would consider negotiations to see if we could reach an agreement to ***replace*** the Amendment Round.
- AFA said we would explore the possibility.
- The parties reached a Tentative Agreement that will replace the Amendment Round and possible Interest Arbitration.
- If this Tentative Agreement is voted down, then we ***will*** enter the Amendment Round.

Are we in Section 6 Negotiations now?
NO! The life of our current agreement began in 2012 and will continue until 2020. We will not enter Section 6 Negotiations until that time. At the present time, we simply entered into a process called a "mid-term negotiations" as a replacement for the "Amendment Round." During bankruptcy negotiations, the Association and the Company agreed to renegotiate limited terms of the contract midway through the life of the current agreement.

What is the process of negotiations during the "amendment round?"
Under the terms contained within our current agreement, the Association and the Company are to attempt to reach an independent agreement. Should this process fail… or if the Flight Attendants were to reject a tentative agreement, the Association and the Company will each have the opportunity to present (5) specific items that they would like to see amended in our agreement in Interest Arbitration. It should be noted that items presented by either party within the context of an Interest Arbitration, do not have to reflect improvements or enhancements to our present contract. This means that management could bring forward items designed to diminish certain provisions of our present contract.

What is Interest Arbitration? Is it the same thing as a grievance Arbitration?
No! In a grievance arbitration, the Association is either asking one neutral arbitrator to reverse unjust disciplinary action taken by the Company against an employee or we are asking the arbitrator to enforce terms of the agreement. In both of these types of arbitration, the language of our agreement is merely interpreted. The arbitrator does not change the actual terms of our agreement.

In an Interest Arbitration, the arbitration panel that includes (3) professional arbitrators is being asked to actually change the terms of our agreement! Under the steps negotiated in our bankruptcy agreement, the Company will have the opportunity to present (5) items it would like

to see changed in our contract before an arbitration panel. The Association will have the opportunity to challenge the Company's positions. The Association will also have the opportunity to present (5) items we would like to see changed in our contract. The Company, of course, will have the opportunity to challenge our positions. The arbitration panel will then consider all that it has heard and return to the parties with a decision on the changes to our agreement.

Is the arbitration panel required to follow any standard when considering the issues?
Yes! Traditionally, an arbitration panel would be required to weigh the issues of the parties against what is considered the norm in the industry. In other words, where does our pay and other issues rank against other regional airlines?

Our contract has specific stipulations to which the parties agreed. The Association knew that we needed to limit the type of carriers against who we could be compared if we were to find ourselves in Interest Arbitration. There are too many small regional airlines in the United States whose standards are far inferior to our own. Under Sideletter T of our agreement, airlines for comparison would be limited to carriers with more than 200 jets, Flight Attendant populations similar to our own, similar fleet types in terms of capacity and that were not in bankruptcy as of November 1st, 2015. For the most part, this excludes nearly all carriers with the exception of Republic Airways and ExpressJet Airlines.

It is critical to understand that Interest Arbitration is not about "doing the right thing" from the worldview of the Flight Attendants. The arbitration panel will have only one standard to consider. Where are our Flight Attendants compared to the standards of the carriers against which we will be compared? This is generally achieved through a process in which our average cost per block hour is held out against those of the respective comparator carriers.

What happens if those carriers have lower standards than our own?
The arbitration panel will be comparing our standards to those of Republic Airways and ExpressJet Airlines. Republic Airways' standards for its Flight Attendants are substantially beneath our own in virtually every category possible.

It needs to be understood that this particular amendment round is essentially an extension of bankruptcy negotiations. During that process, the Company had the overwhelming majority of negotiating power because the sole function of the United States Bankruptcy Court is to return a Company to viability. In today's negotiating environment, the Company believes that they have the upper hand if we go to Interest Arbitration.

If the Company is likely to win at Interest Arbitration, why would it bother to attempt reaching an independent agreement?
The Company still has a duty to bargain in good faith. Additionally, the cost of Interest Arbitration to a Company is typically astronomical upon an employer. The Company is already paying incredible money to be advised by Ford and Harrison. They will be prepared to spend even more money hiring expert witnesses such as economists and various types of labor professionals who will testify as to why they believe our agreement exceeds the standards of the

other carriers in our class. Additionally, AFA negotiated that management must pay the arbitrators' fees and expenses.

Even with a winning hand, Interest Arbitration is always a gamble for both parties. Changes in the terms of our agreement represents a change in the cost structure to both parties. Through actively negotiating terms, the Company can better anticipate its cost structure.

What if we don't like the result of Interest Arbitration? Can we appeal or go on strike? ***No!*** The decision of the arbitration panel is **final**. There are no appeals. Under the law, the use of economic weapons by the Association or the Company is not permissible during the life of an agreement which, as stated earlier, lasts through 2020.