

In The Matter Of:
*ASSOCIATION OF PROFESSIONAL FLIGHT ATTENDANTS AND
AMERICAN AIRLINES, INC.*

INTEREST ARBITRATION
Vol. 1
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1 So once those copies are brought into the
 2 room, we thought we would provide them to the Board
 3 members.
 4 ARBITRATOR BLOCH: All right. Then let me
 5 ask whether anyone can think of any reason not to
 6 take a break while we wait for those, and get the
 7 microphones working.
 8 MR. SIEGEL: Okay.
 9 ARBITRATOR BLOCH: Is that all right?
 10 MR. FREUND: Yeah.
 11 ARBITRATOR BLOCH: All right.
 12 I promise we will come back. We have
 13 locked the outside doors. And we'll see you in a
 14 few moments.
 15 MR. SIEGEL: All right.
 16 ARBITRATOR BLOCH: Thank you.
 17 (A recess was taken.)
 18 ARBITRATOR BLOCH: On the record.
 19 In the break we took, we were presented by
 20 the parties with a Joint Fact Stipulation that
 21 details, basically, how we got to where we are
 22 today, and we have had the chance to review it.

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1 And I thank both parties, not only for
 2 allowing us the opportunity to do that, but
 3 particularly for having been able to do this at all.
 4 This is a remarkable accomplishment.
 5 And the ability to find common ground on
 6 what is an extraordinarily difficult issue and would
 7 have occupied a great deal of this Board's time, and
 8 the unavoidable battle of the experts and everything
 9 else.
 10 And so I -- whatever mechanism has been
 11 implemented by the parties that could result in this
 12 is a pretty terrific thing, and I thank everybody
 13 for having done that.
 14 We have reviewed the stipulation, and I
 15 think among other things, without going through it,
 16 unless I misunderstand, the essence of what remains
 17 for the Board to deal with is contained in paragraph
 18 14, that establishes the \$112 million calculation
 19 and briefly recites the issues over which the
 20 parties are divided.
 21 If I'm being overly cryptic in trying to
 22 narrow it down to that, I apologize. But I am

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1 cheered by the notion that the parties will now fill
 2 us in in some greater detail as to what's in front
 3 of the Board.
 4 So with that, my understanding is that the
 5 parties have agreed that APFA would present first
 6 with respect to its opening statement.
 7 And that being the case, unless there's
 8 anything else preliminarily, I'll turn it over to
 9 you, Mr. Freund, with our welcome and ask you to
 10 proceed with your opening statement.
 11 MR. FREUND: Okay. And thanks, Mr. Bloch.
 12 Let me just first introduce some of the
 13 folks on my side of the table.
 14 Sitting next to me is Laura Glading,
 15 President of APFA. Sitting next to Laura is Roger
 16 Pollak, my colleague. And sitting next to Roger is
 17 Dan Akins, who is one of our -- will be one of our
 18 witnesses and who, I think some, if not all of the
 19 Panel, already know well from other proceedings.
 20 And then finally, sitting next to Dan is
 21 Mady Gilson, also one of my colleagues, who is
 22 General Counsel of the APFA.

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1 And then finally, sitting next to May is
 2 Roger Holmin, who is the MEC Chair Emeritus from
 3 APFA for US Airways.
 4 So let me start this way.
 5 I have been practicing law for a long
 6 time, 40 years now. And in those 40 years, I would
 7 say this is the most unique case that I have had for
 8 any of my clients.
 9 I had the good fortune back 20 years ago,
 10 along with my colleague, Roger Pollak, to represent
 11 APFA in an interest arbitration with American
 12 Airlines following the 1995 strike that some of you
 13 may remember, that President Clinton was able to
 14 convince both sides to resolve through an interest
 15 arbitration.
 16 And in some respects, this is old home
 17 week. Roger was there. Rob Clayman, who is on
 18 Board here, was on board with that arbitration.
 19 Jerry Glass was a witness in that case.
 20 Dan Akins was a witness in that case.
 21 And that was a broad ranging interest
 22 arbitration that dealt with a significant number of

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1 really complex and difficult issues.
 2 The standards that were used in that
 3 arbitration were the typical standards that one sees
 4 in an interest arbitration case.
 5 We spent days on internal comparisons,
 6 external comparisons, the ability to pay, the
 7 economics of the airline industry, the implications
 8 of cost of living increases.
 9 We had literally weeks and weeks of
 10 hearings that were stretched out over nine months.
 11 And the end result of that interest arbitration --
 12 we also had a Panel as big as the Panel here.
 13 We had seven arbitrators, three neutrals,
 14 two party arbitrators on each side. And the net
 15 result of that interest arbitration was an
 16 extraordinarily long opinion that provided
 17 significant wage, benefit, and work rule
 18 improvements to the flight attendants of American,
 19 well above those that had been on the table at the
 20 time APFA felt compelled to strike.
 21 This case could not be more different than
 22 the circumstances that were involved in that case

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1 for reasons that we will explain.
 2 The witnesses will testify, and you have
 3 already actually seen it in the stipulation, that in
 4 this round of bargaining between the Company and the
 5 Union, the Union succeeded in negotiating a
 6 collective bargaining agreement that exceeded by a
 7 significant amount the prenegotiation standard that
 8 the parties were bargaining against.
 9 And that agreement was submitted to the
 10 flight attendants for ratification.
 11 And as we know, from the stipulation and
 12 as you undoubtedly know from the media, that
 13 agreement was not ratified.
 14 And we are now in this arbitration in
 15 which under the standard that was negotiated, this
 16 Panel is being asked to impose a collective
 17 bargaining agreement that is -- will have
 18 significantly lower value than the value of the
 19 Tentative Agreement that was -- that failed
 20 ratification.
 21 Because of the unique nature of this case,
 22 notwithstanding the stipulation, I'm going to spend

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1 some time in my opening statement, and Laura Glading
 2 is going to testify to kind of a long background as
 3 to how we got here today.
 4 Because asking a Panel to impose a
 5 collective bargaining agreement that's of less value
 6 economically than a negotiated collective bargaining
 7 agreement is not something that I'm used to doing.
 8 And I suspect it's not something that you, as
 9 arbitrators, are used to hearing.
 10 And accordingly, we think it's important
 11 that you fully understand the long-term background
 12 that got us to where we are today as well as the
 13 shorter term background.
 14 As you pointed out, there is a great deal
 15 that has been stipulated to, but that does not mean
 16 that there aren't some disputes to be resolved, and
 17 those disputes are important. And there are
 18 important issues. And I'm going to get to those.
 19 And I don't want to have anybody lose sight of that.
 20 We're going to get to those issues.
 21 But I do think we need to kind of build up
 22 to those issues with a little bit of history.

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1 So with that throat clearing, let me go
 2 back to 1999. That's really where the saga starts.
 3 In 1999, there was a full blown round of
 4 collective bargaining between APFA and American that
 5 led to a collective bargaining agreement. And that
 6 collective bargaining agreement was submitted to the
 7 membership for ratification, and that failed
 8 ratification.
 9 It led to the formation of a new
 10 Negotiating Committee.
 11 And Laura Glading, who is now the
 12 president, was not president at the time, was
 13 functionally Chair of that Negotiating Committee.
 14 And after several years of negotiations,
 15 negotiated a new collective bargaining agreement.
 16 And that was what I would describe as the last kind
 17 of normal round of bargaining that American and APFA
 18 had.
 19 That agreement went out to ratification,
 20 and it was ratified on September 12, 2001.
 21 So while there was obviously jubilation at
 22 the fact that the collective bargaining agreement

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1 was ratified, there had been a significant event
 2 that affected the entire country and the entire
 3 world, and obviously, affected the airline industry
 4 and affected American Airlines in a particularly
 5 unique way.
 6 Those events led to massive furloughs
 7 among flight attendants at American and, indeed,
 8 throughout the airline industry.
 9 And eventually, in 2003, facing a real
 10 threat of bankruptcy, American and APFA negotiated a
 11 restructuring agreement that really cut the heart
 12 out of the agreement that had been just recently
 13 ratified.
 14 That agreement was amendable in 2008. And
 15 parties began their bargaining in 2008, which was
 16 probably the worst time in history, perhaps second
 17 worst to 2002, the second worst time in history to
 18 be bargaining in the airline industry.
 19 There was an economic collapse that had
 20 affected the entire -- the entire economy. And we
 21 all know the airline industry is particularly
 22 sensitive to economic downturns. And it was

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1 particularly bad at American because, as I'm sure
 2 you all know, the other majors by then had
 3 restructured completely through bankruptcy.
 4 So although American had done an
 5 out-of-court restructuring in 2003, it didn't really
 6 come close to the restructuring with respect to its
 7 entire operations as the other majors.
 8 And bargaining continued and continued
 9 aggressively. That is to say, the parties met
 10 regularly in an effort to try to reach a collective
 11 bargaining agreement.
 12 But the economic conditions and the
 13 conditions of the airline continued to deteriorate.
 14 And in November of 2011, American filed its Chapter
 15 11 petition.
 16 APFA knew and understood, as Laura will
 17 explain when she testifies, that a key act for a
 18 Union to take in the context of an airline
 19 bankruptcy is to get on a Creditor's Committee.
 20 That's where the action is, although the
 21 Company maintains exclusivity to put together a
 22 plan, the Creditor's Committee plays a significant

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1 role in the ultimate restructuring of the airline.
 2 And APFA obtained a seat on the Creditor's
 3 Committee, and, as you will hear, was an active
 4 participant in the very critical decisions that that
 5 Creditor's Committee had to make.
 6 Separately, separate from its position in
 7 the bankruptcy on the Creditor's Committee, APFA
 8 was, like the other unions at American, was subject
 9 to an 1113 motion to -- or it knew it was going to
 10 be and ultimately was subject to an 1113 motion that
 11 was going to seek to cut away even further from the
 12 Restructuring Agreement that had been negotiated in
 13 2003, which in turn had undercut what had been
 14 negotiated in 1999.
 15 Even before the bankruptcy, I think it's
 16 fair to say that APFA had lost its confidence in the
 17 then management of American and the direction that
 18 the Company was going.
 19 And even before there was a plan of
 20 reorganization put forward by the Company in the
 21 course of the bankruptcy, APFA had concluded that,
 22 with the advice of its economic advisors and others,

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1 that American really needed to go in a different
 2 direction.
 3 The Delta merger had already occurred, and
 4 Delta was out there busily enjoying the synergies of
 5 that merger and was eating up the competition.
 6 The United merger had occurred. The
 7 synergies were not quite there yet, but it was
 8 certainly headed in that direction.
 9 The gulf carriers, Emirates Air and
 10 others, were expanding into the international
 11 market, and the world was simply not the same as it
 12 was earlier in the decade.
 13 And APFA concluded, quite sensibly, that
 14 American needed a merger with somebody in order to
 15 retain its posture that it had historically had as
 16 being, you know, the largest and the best carrier
 17 in, not only the country, but in the world.
 18 And I want to stop here for a moment to
 19 say that that picture, that description of the
 20 airline is one that the flight attendant group, as a
 21 whole, deeply believes in.
 22 They are proud to work for American. And

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1 they were, as a group, devastated professionally by
 2 what had happened to the airline over the years.
 3 And they, too, wanted the airline to return to
 4 the -- to its -- I don't want to say its glory days,
 5 but to the airline that they knew and loved.
 6 And obviously, they wanted a return to
 7 wages and the work rules that were more consistent
 8 with those that they had enjoyed in the past.
 9 So that's kind of the lead up to the
 10 beginning of the story that got us here today.
 11 In March of 2012, APFA president Laura
 12 Glading got a phone call from Scott Kirby, who was
 13 then president of US Airways.
 14 This was a time that, again, that the
 15 Company was in bankruptcy, and APFA was on the
 16 Creditor's Committee. And Mr. Kirby said that US
 17 Airways was interested in trying to make a play for
 18 American while it was in bankruptcy and that they
 19 had previously tried to do the same thing when Delta
 20 was in bankruptcy, but had not succeeded, largely,
 21 he believed, because they hadn't really dealt with
 22 the employee groups at Delta.

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1 And in particular, the unionized group
 2 there, the pilots, were opposed to that merger. And
 3 they -- the merger just didn't happen.
 4 And so Mr. Kirby concluded that the
 5 sensible way to proceed was to have conversations
 6 with American's unions in advance of any efforts.
 7 And he wanted to engage the APFA, as well as the TWU
 8 and the APA in some discussions to see whether they
 9 could work something out that would give the flight
 10 attendants and the pilots and the TWU sufficient
 11 comfort about what a merger would look like so that
 12 they could get -- so that US Airways could get
 13 support from the employee groups for a merger of the
 14 carriers.
 15 Laura will tell you about the first
 16 meeting she had with Mr. Kirby that led to a meeting
 17 shortly after that in Mesa, Arizona in early April
 18 of 2012.
 19 In some sense, as much as this group is
 20 like old home week for the 1995 interest
 21 arbitration, it's even more old home week for the
 22 folks who were at that meeting in Mesa.

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1 Laura was there. I was there. Rob was
 2 there. Dan Akins was there. Cindi Simone was
 3 there. Paul was there, Paul Jones. Bob was there
 4 through a surrogate, one of his partners, Chris
 5 Hollinger was there. And surely others who are in
 6 the room who I haven't mentioned, were also there.
 7 We met -- again, Laura will describe in
 8 greater detail the events of that meeting. But
 9 we -- the short of it is that we met there for five
 10 days. And the object of the exercise was to see if
 11 we could hammer out an agreement that would give a
 12 merged Company, if a merger were to happen, six
 13 years of predictable labor costs.
 14 And there -- and comitantly with that,
 15 labor peace for six years so that US Airways could
 16 present a viable plan of reorganization to the
 17 Creditor's Committee.
 18 Without being able to know what the labor
 19 costs would be and without being able to say that
 20 there was a guarantee of labor peace, there was
 21 really no comfortable way that -- so we were told,
 22 that US Airways could really do the work it needed

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1 to do to have credibility at the Creditor's
 2 Committee to make a serious run at the company.
 3 That was the Company's objective.
 4 APFA's objective was consistent with its
 5 pre-bankruptcy views.
 6 It wanted to facilitate a merger. There
 7 was no question about that. They believed merger
 8 was in the flight attendants' absolute best
 9 interest.
 10 And it surely kind of consistently with
 11 that, it wanted to insure that it had a set of
 12 wages, hours, working conditions that were better
 13 than they were then living with, and better than
 14 those that were in the term sheet that American had
 15 given in the context of the 1113 proceeding.
 16 So in both respects, both in terms of the
 17 specifics of the deal that they wanted to be able to
 18 cut, and in terms of being able to facilitate a
 19 transaction that they believed was critical for the
 20 flight attendant work force, they had sort of this
 21 common objective.
 22 In order to do that, they reached an

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1 agreement, which was commonly referred to as the
 2 Conditional Labor Agreement, the CLA. And that
 3 appears as, I believe, Exhibit 5 in the Joint
 4 Exhibits.

5 The exercise was really in one sense the
 6 same for APFA as it was for the pilots and for the
 7 TWU, that is all three unions were bargaining
 8 fundamentally the same thing, that is to achieve a
 9 six-year stable costs at a market -- at a
 10 market based -- on a market-based measure.

11 But the circumstances for the flight
 12 attendants were considerably different than -- on
 13 that subject than they were for the other two
 14 unions, and in particular for the pilots.

15 The pilots, in terms of thinking about the
 16 market -- and the market, just to be clear, the
 17 market in this context is Delta and United or
 18 United/Continental, depending how one thinks about
 19 it.

20 The pilots at Delta and at United, their
 21 bankruptcies had occurred some time before. They
 22 had come out of bankruptcy. They had negotiated

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1 post bankruptcy collective bargaining agreements.
 2 And so they had set the market at a, you know, at a
 3 reasonable level for the pilot industry as compared
 4 to where things were in the flight attendant
 5 industry.

6 Because in the flight attendant industry,
 7 flight attendant component of the industry, we had
 8 an entirely different situation.

9 Delta was non-union. And although it had
 10 emerged from bankruptcy and there had been
 11 improvements to the Delta circumstances, they
 12 certainly did not get back up anywhere near to where
 13 a reasonable market would have been.

14 And United and Continental were still
 15 negotiating a joint collective bargaining agreement.
 16 They hadn't achieved a joint collective bargaining
 17 agreement. They were not at what one would normally
 18 think of as market levels.

19 And so although the pilots and the TWU had
 20 a market to look to in order to reach their deal,
 21 their six-year deal, the flight attendants, APFA,
 22 concluded that that just didn't make sense because

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1 they would be shooting at the wrong market.
 2 So they negotiated a very creative
 3 compromise that was structured quite differently
 4 than the other deals.

5 They agreed, in the first instance, to a
 6 Bridge Agreement. And that Bridge Agreement would
 7 be effective from the date that the merger became
 8 effective until a new joint collective bargaining
 9 agreement would be negotiated.

10 And the terms of that Bridge Agreement
 11 were terms that were better than those that were in
 12 place at American at that time and were better than
 13 those that were contained in the last best -- in the
 14 1113 term sheet that APFA had.

15 And they also negotiated a -- or agreed to
 16 a negotiating protocol which provided for a very
 17 expedited process of negotiations following the
 18 merger, with a backstop of this interest arbitration
 19 if the parties couldn't reach agreement during that
 20 expedited period of negotiations.

21 And the standard that was set for the
 22 interest arbitration was that a collective

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1 bargaining agreement -- that a Panel -- didn't
 2 necessarily know it would be the three of you at
 3 that time -- but that a Panel would produce, if it
 4 came to that, would be that it would be market --
 5 then market in the aggregate, that is the collective
 6 value of all of the terms, needed to be -- need to
 7 match the collective value of the -- those terms in
 8 the comparators' collective bargaining agreements.

9 And recognizing that United and
 10 Continental, at the time that this Conditional Labor
 11 Agreement had been negotiated, recognizing that they
 12 still had not achieved a joint collective bargaining
 13 agreement, the parties said if the -- if there is a
 14 joint collective bargaining agreement at United,
 15 that would be factored into the standard.

16 If there's not, it will be United
 17 standalone, Continental standalone. Delta would be
 18 put in the standard. And there would be a redo
 19 later on down the road -- and this was actually
 20 negotiated a bit later.

21 There will be a redo later on down the
 22 road when United gets a joint collective bargaining

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1 agreement -- if getting that joint collective
 2 bargaining agreement has an effect on the market
 3 that requires an adjustment to any negotiated or
 4 arbitrated settlement.
 5 So it was, I think, in everybody's view an
 6 innovative problem solving way to deal with a very
 7 difficult issue as to which both sides had -- I
 8 don't want to say competing interests. They didn't.
 9 They had a joint interest in achieving and seeing to
 10 it that a merger occurred.
 11 They had the usual competing interests
 12 that one has between labor and management of working
 13 at arm's length to try and get a collective
 14 bargaining agreement. The Union trying to get as
 15 much value as possible; the Company trying to
 16 maintain its competitive position.
 17 But they provided an agreement that gave
 18 the Company the ability to have those predictable
 19 labor costs, and it provided the Union with a
 20 mechanism to be absolutely certain that it would not
 21 have anything less than a contract that was equal to
 22 its peer's contracts in value.

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1 And that, when you actually think about it
 2 from APFA's standpoint, was really one -- really was
 3 an important factor because the notion of not having
 4 a guarantee of that in bargaining with an airline
 5 coming out of bankruptcy was a daunting notion.
 6 American was, after all, going to be the
 7 third of the mergers. Delta and United had a big
 8 head start. And it wasn't clear that American --
 9 that a merged American, if it occurred, was going to
 10 be able to get the synergies and get into the
 11 competitive mix in the face of a newly restructured
 12 airline industry. And the bargain would be
 13 literally coming out of bankruptcy.
 14 And so one could not have been certain in
 15 the spring of 2012, that sort of wide open unbounded
 16 collective bargaining following a merger would have
 17 necessarily produced a market-based collective
 18 bargaining agreement.
 19 And one certainly could not have reached a
 20 conclusion that, left to their own devices, the
 21 parties would quickly come to any agreement at all.
 22 We all know enough about airline industry

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1 negotiations to know the torturous turns that those
 2 negotiations can take.
 3 So APFA came out of that deal, from its
 4 point of view, with a win-win, a guarantee that it
 5 was going to match the market, at least, and a
 6 guarantee that it was going to get there quickly.
 7 So subsequent to -- and that happened in
 8 April of 2012. APFA's Executive Board, the Board of
 9 Directors approved that agreement, and life moved
 10 forward.
 11 Subsequently, in the bankruptcy case --
 12 turning now back to the bankruptcy case. Just
 13 before the prospect of having a 1113 order entered
 14 rejecting the collective -- or authorizing rejection
 15 of the collective bargaining agreement, the American
 16 Collective Bargaining Agreement, APFA and American
 17 entered into an agreement that's commonly referred
 18 to as the LBFO, the last, best, and final offer.
 19 And that then became the contract that was in effect
 20 until a merger ultimately took place.
 21 Sort of the next major step was that all
 22 of the unions that had met in Tempe reached similar

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1 kinds of agreements.
 2 And when they presented to the Creditor's
 3 Committee, along with lots of other things -- I
 4 don't mean to suggest for a moment that the union
 5 collective bargaining agreements were the only
 6 factor in making a merger happen, but they were a
 7 critical factor in making the merger happen. And
 8 they were a critical factor in turning the --
 9 ultimately, in turning the Creditor's Committee into
 10 a position of supporting the merger rather than the
 11 American standalone plan.
 12 Time passed. The merger was announced.
 13 And leaping way forward, on December 9, 2013, after
 14 the Department of Justice antitrust suit was
 15 settled, the merger became effective.
 16 And the Conditional Labor Agreement that
 17 had been negotiated in Tempe that included all of
 18 those negotiation protocols.
 19 I skipped over one document, which I
 20 shouldn't have because it's going to play a role in
 21 the issues that are to be resolved by this Panel.
 22 On December 31, 2012, the -- at the --

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1 through the mediatory efforts, I would say, of
 2 counsel for the Creditor's Committee, a clarifying
 3 agreement was reached between APFA and US Airways
 4 management that clarified various aspects of the
 5 Conditional Labor Agreement that had been previously
 6 negotiated.
 7 That exhibit is Exhibit 5A. And we'll
 8 turn to that when we get to the specification point
 9 that I want to talk about.
 10 So following the consummation of the
 11 merger, APFA took on really now yet another
 12 challenge.
 13 APFA represented flight attendants at
 14 American, and AFA represented the flight attendants
 15 at US Airways.
 16 And interestingly, the agreement that had
 17 been reached out in Tempe was an agreement between
 18 APFA, the American's flight attendants union, and US
 19 Airways, the company whose flight attendants were
 20 represented by AFA.
 21 So that was -- that created an interesting
 22 dynamic, as well as just the natural representation

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1 issues that flow whenever there's a merger of two
 2 airlines that have the same class and craft
 3 represented by different unions at the separate
 4 carriers.
 5 So as a consequence of that, everybody
 6 understood, from both sides, on all sides, that
 7 eventually there was going to be a single carrier
 8 determination, and the representation issue was
 9 going to be resolved as between APFA and AFA one way
 10 or another.
 11 And one way those representation issues
 12 can get resolved is through a representation
 13 election.
 14 And we all know, either directly or
 15 indirectly, what the consequences sometimes of
 16 representation elections can be. They can be
 17 bitter. They can be divisive. And at the end of
 18 the day, they are often destructive in the sense of
 19 the kind of unity that you want a work group to have
 20 going forward for bargaining.
 21 In this instance, APFA and AFA understood
 22 that, and entered into a series of discussions that

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1 led to an agreement as between the two unions that
 2 would resolve the representation issue by providing
 3 that APFA would become the bargaining agent of the
 4 combined class and craft once the single carrier
 5 determination was made.
 6 And secondly, as it relates to the
 7 negotiations protocol, which is really what this is
 8 all about, they agreed that they would approach the
 9 Company jointly to negotiate certain modifications
 10 to the negotiation arrangements that had been
 11 contained in the Conditional Labor Agreement.
 12 The first thing that they did was, as part
 13 of this -- as part of this agreement between the two
 14 unions, was agreed that there would be a Joint
 15 Negotiating Committee that would be comprised of
 16 seven flight attendants from -- seven
 17 representatives from APFA and seven representatives
 18 from AFA.
 19 Even though APFA was -- had significantly
 20 larger number of flight attendants, they made the
 21 sensible judgment that both flight attendant groups
 22 ought to be equally represented on the Negotiating

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1 Committee.
 2 Rob Clayman, who has been the negotiating
 3 counsel for APFA, continued to serve as counsel to
 4 the Joint Committee. And Joe Burns, who has been
 5 the AFA's negotiating counsel, joined Rob in that
 6 capacity jointly.
 7 They also agreed that, as I said, that
 8 they were going to go to the Company with certain --
 9 to request certain changes in the Protocol
 10 Agreement.
 11 And they achieved those changes, which
 12 were then embodied in the NPA, in the Negotiation
 13 Protocol Agreement, which is actually the agreement
 14 under which we are operating. And that is Joint
 15 Exhibit 3 in your exhibit book.
 16 What the Negotiation Protocol Agreement
 17 did in modifying the negotiations of the Conditional
 18 Labor Agreement was the following:
 19 First, it extended the period of time that
 20 the parties would have to negotiate a collective
 21 bargaining agreement for a significantly longer
 22 period of time. I believe 150 days.

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1 And second, it maintained the market-based
 2 in the aggregate standard as the interest
 3 arbitration standard, and, therefore, in a sense,
 4 the negotiating standard against which the parties
 5 were negotiating.
 6 But they added a second set of standards
 7 that also had to be met by any contract that would
 8 be achieved through negotiations or ultimately
 9 through arbitration.
 10 And that is that that contract had to be
 11 worth more to the legacy American flight attendants,
 12 under American operations, than the old American
 13 agreement. And it had to be worth more to the
 14 legacy US Airways flight attendants than the US
 15 Airways contract would have been worth, again, at
 16 the combined American operations.
 17 A complex set of metrics, but important
 18 metrics nonetheless, to be sure that the merger not
 19 only produced at least a market-based contract, but
 20 produced a contract that was better for both groups
 21 of flight attendants than the contract that they
 22 produced and they had been living under.

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1 And that the NPA also maintained the, what
 2 I call, the second bite at the apple provision with
 3 respect to a joint United collective bargaining
 4 agreement, so that if the product of bargaining or
 5 the product of this arbitration later proved to
 6 be -- while market later proved to be below a
 7 modified market that would be created by a United
 8 contract, the parties would go at it again.
 9 They would make adjustments in order to
 10 meet that market. If they couldn't agree on what
 11 those adjustments would be, they would go to yet
 12 another arbitration quite quickly in order to make
 13 those adjustments.
 14 So that was the Negotiations Protocol
 15 Agreement. And under that agreement, the parties
 16 began bargaining relatively quickly. On April 24,
 17 2014, they commenced negotiations.
 18 In connection with those negotiations, the
 19 sort of the second unique and creative thing that
 20 the parties did, particularly in light of the
 21 standard that they had agreed to in the Negotiations
 22 Protocol Agreement, was that they worked on building

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1 a model that was going to measure all of these
 2 metrics that were key to understanding whether the
 3 standards in the Negotiations Protocol Agreement had
 4 been met.
 5 In the first instance, the model was
 6 created by American's finance department. But it
 7 was -- it was open. It was in some kind of open
 8 source. I'm not using the word correctly. But it
 9 was made open and available to APFA's economist, Dan
 10 Akins, who vetted it.
 11 The model is described in the joint
 12 stipulation.
 13 Dan is going to testify a bit about the
 14 model, even though it's in the joint stipulation.
 15 And it is designed to be able to measure
 16 all the components of the comparative collective
 17 bargaining agreements as though they -- as if they
 18 had been applied to the American work force and
 19 operation.
 20 And designed, as well, to measure the
 21 costs of the American contract and the US Airways
 22 contract. And designed to be able to measure the

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1 incremental costs or savings of changes made to the
 2 various costs in the collective bargaining agreement
 3 through the proposals of the Company, so that one
 4 would be able to trace, with certainty, based on a
 5 set of agreed assumptions, what the implications
 6 were of the change in any term in the agreement when
 7 measured against Delta, when measured against
 8 United, when measured against Continental, when
 9 measured against old US Airways, or measured against
 10 old American.
 11 And Dan, as I said, vetted the model. He
 12 had changes that he believed needed to be made.
 13 Talked with them -- talked through those changes
 14 with American finance.
 15 They made those -- they made the changes.
 16 They agreed on what had to be done in order to make
 17 it all work.
 18 And at the end of the day, again, they
 19 produced a model that both sides agreed measured
 20 correctly what needed to be measured.
 21 The one thing I'm going to say about the
 22 model because it bears on another part of the

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1 stipulation in another part of this case is that it
 2 does not include the value of profit sharing
 3 programs that were in place at Delta and at United
 4 and Continental.
 5 But the understanding was that those --
 6 that those profit sharing plans were -- provided
 7 value, and they were part of the market, and,
 8 therefore, they had to be accommodated in some way
 9 in thinking about the market and market value in the
 10 aggregate.
 11 So with the model, the parties determined
 12 that, in order to meet the standards, a new
 13 collective bargaining agreement had to be at least
 14 \$57 million a year on average over the course of
 15 five years greater in value than the current
 16 collective bargaining agreements. And it had to
 17 contain a profit -- either a profit sharing plan or
 18 a valuation for profit sharing.
 19 At the end of the bargaining period,
 20 September 19 was the sort of the -- was the last day
 21 of the bargaining period. On the last day of the
 22 bargaining period, the parties reached a Tentative

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1 Agreement. And they reached a Tentative Agreement
 2 which, by applying the terms of the model, was then
 3 valued at an incremental value of \$181 million over
 4 and above the value of the old collective bargaining
 5 agreements, clearly surpassing all the tests and all
 6 the standards that had to be passed and met in order
 7 to meet the standards in the Negotiations Protocol
 8 Agreement.
 9 That wasn't the end of it.
 10 On September 24, after a Tentative
 11 Agreement had been reached, when APFA's Board was
 12 meeting in Washington, Delta unilaterally increased
 13 the value of its -- increased the wage rates for its
 14 flight attendants, and that bumped the market value
 15 in the aggregate up to \$61 million a year on average
 16 over five years.
 17 And American met the challenge of Delta.
 18 And notwithstanding that there had been a
 19 Tentative Agreement reached, agreed to increase the
 20 wage rates that had been agreed to in the Tentative
 21 Agreement.
 22 And that, in turn, pushed the value of the

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1 collective bargaining agreement up to \$193 million
 2 per year on average over five years over the
 3 existing collective bargaining agreements.
 4 I'm going to leap ahead here for a moment.
 5 Those numbers got changed yet again
 6 because on November 6, Delta did another adjustment,
 7 not with respect to its wage rates, but with respect
 8 to certain training provisions and deadheading
 9 provisions and the like which bumped the market and
 10 the aggregate up from 61 million to 62 million,
 11 again, with a profit sharing program.
 12 The contract that was valued at
 13 \$193 million did not include profit sharing. But
 14 the value was so far above the value -- the market
 15 value, plus any possible reasonable or even
 16 unreasonable valuation of what a profit sharing
 17 might yield that it met the standard easily.
 18 The APFA's constitution has a ratification
 19 process. The contract went out for ratification.
 20 It has a 30-day voting period.
 21 APFA does what it always does in
 22 ratification -- in the ratification process. It

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1 conducts road shows. It has websites. It does
 2 mailings. And it communicated the nature and the
 3 value of the collective bargaining agreement broadly
 4 and fully to the flight attendant work force.
 5 And on November 9, the ballots were
 6 counted. And of something over 16,000 ballots that
 7 were cast, the Tentative Agreement was defeated by
 8 16 votes.
 9 And as a consequence, we are here today
 10 arbitrating within the parameters of the
 11 Negotiations Protocol Agreement.
 12 The -- as is evident by the description
 13 that I have given you of the model and of the
 14 standard and as is evident by the joint stipulation
 15 that we entered into, the agreement, the market
 16 value -- the market value standard is 112 million.
 17 The Company has stipulated to a value of
 18 \$50 million for a profit sharing because there is no
 19 profit sharing in the Tentative -- was no profit
 20 sharing in the Tentative Agreement, there is no
 21 profit sharing in the proposal.
 22 And we are arbitrating in the context of

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1 what we -- what the parties always understood the
 2 negotiation protocol to mean when and if we got to
 3 an arbitration under the circumstances of a failed
 4 TA.
 5 And that is the following:
 6 If there hadn't been a Tentative Agreement
 7 that was reached on September 19, we would have been
 8 arbitrating the issues in dispute.
 9 Well, if there hadn't been a Tentative
 10 Agreement on September 19, the issues in dispute
 11 would have been really seven economic issues because
 12 all the other issues, all of the operational issues,
 13 all the scheduling issues, all of those had been
 14 resolved long before September 19.
 15 And the open economic issues were wage
 16 rates, vacation accrual, sick accrual, premium pay,
 17 health insurance, 401K, and profit sharing.
 18 And so that was sort of -- that's sort of
 19 a parameter of available issues for arbitration.
 20 And, again, the agreement that the Panel
 21 needs to -- is required to impose by reason of the
 22 Negotiations Protocol Agreement is one that meets

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1 that standard, that 112 million standard.
 2 Again, to repeat, the parties have
 3 resolved the profit sharing question.
 4 We believe it's -- the \$50 million
 5 stipulation is a fair number to replace the
 6 uncertainty and risk associated with a variable comp
 7 program, particularly in the airline industry with
 8 the risks that that industry brings.
 9 So that takes us to our proposal. And
 10 it's actually fairly simple and straightforward.
 11 Our proposal is at Joint Exhibit No. 1.
 12 It contains all of the terms and
 13 conditions that are contained in the Tentative
 14 Agreement, save for a set of reduced wage rates,
 15 which, when added to the value of the scheduling and
 16 other provisions of the collective bargaining
 17 agreement, the parties, through the operation model,
 18 have determined are worth \$112 million a year, on
 19 average, over five years of a collective bargaining
 20 agreement.
 21 It contains, as well, and this is a
 22 lead-in to the -- to our open issues. It contains

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1 ten, count them, ten me-too agreements. It contains
 2 ten me-toos with the pilots. Laura Glading will
 3 tell you about them.
 4 I don't think there's any dispute. We can
 5 point them out to you at an appropriate time, but
 6 there's fully ten of them.
 7 And I stress that because, as you know
 8 from the joint stipulation, we have two issues in
 9 our proposal that are in dispute, and both of them
 10 are me-too issues.
 11 And I'm sitting here looking across the
 12 table at Bob. And I know that his case is going to
 13 be a case on me-toos is going to include, among
 14 other things, an argument that me-toos are not
 15 appropriate ways to proceed in the airline industry.
 16 That they are -- they impinge on bargaining. They,
 17 you know, they get in the way of labor relations.
 18 They are generally bad things.
 19 And that's all well and good, and I'm
 20 waiting to hear him describe it, and I'm sure he
 21 will do that eloquently. But he's going to have to
 22 explain why it is, in the face of that, that the

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1 Company was willing to agree to ten separate me-toos
 2 in this collective bargaining agreement with the
 3 pilots.
 4 So one of the me-toos that is contained in
 5 our proposal is a me-too with respect to any other
 6 work group obtaining a health insurance program that
 7 is different than the health insurance program that
 8 is contained in the flight attendant collective
 9 bargaining agreement.
 10 I think it's fair to say that the health
 11 insurance was an important issue, particularly to
 12 the US Airways flight attendants, who, as a
 13 consequence of this collective bargaining agreement,
 14 moved to the American health insurance program,
 15 which in simple terms is not as good a health
 16 insurance program as the old US Airways health
 17 insurance program.
 18 It just isn't. It puts more cost on the
 19 flight attendant than the Company's health insurance
 20 plan.
 21 So it was an issue of some, I don't want
 22 to say aggravation. It was an issue of some degree

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1 of controversy.
 2 Nevertheless, the Joint Negotiating
 3 Committee in the context of the value of the
 4 collective bargaining agreement as a whole, agreed
 5 that, after a period of time and subject to some
 6 transition payments that will go to the US Airways
 7 flight attendants in order to make up for that
 8 increased cost, that they would come to the American
 9 plan.
 10 So health insurance always an important
 11 issue, but a particularly important and sensitive
 12 issue in this round of negotiations.
 13 So Bob is also going to say, in addition
 14 to saying me-toos are bad things, he's going to say,
 15 as a matter of labor relations, you shouldn't give
 16 the flight attendants a me-too.
 17 And by the way, if you do give them a
 18 me-too on this one, and if the Company does agree to
 19 a medical plan for somebody else that's a greater
 20 value, and the flight attendants get to exercise
 21 their me-too rights, it's going to push the value of
 22 the collective bargaining agreement up above the

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1 market base and the aggregate standard.
 2 And you can't do that because you're
 3 constrained -- you're constrained by the market
 4 based in the aggregate standard.
 5 Ah-ha, he says to that.
 6 First of all, we don't know the answer to
 7 that question. It's unknowable because we don't
 8 know -- no one from Bob's side is going to be able
 9 to testify -- first of all, I'm sure he's going to
 10 testify that they'll never agree to any difference
 11 in the plan.
 12 But fine.
 13 If they won't, then there is -- he has
 14 undercut his other argument that it's going to trip
 15 across the \$112 million number.
 16 But our position with respect to the
 17 health insurance plan is premised on a separate
 18 provision, a separate promise, a separate term of
 19 the Conditional Labor Agreement that was negotiated
 20 back in Tempe and a separate term of the clarifying
 21 document that I referred to with respect to the
 22 Conditional Labor Agreement.

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1 So the Conditional Labor Agreement, again
 2 Joint Exhibit No. 5, is a term sheet. And on the
 3 second page of that term sheet, next to active
 4 health -- this is the same document that includes
 5 the negotiation provisions -- it says single Company
 6 plan.
 7 Look to 5, and it's page 2, "Single
 8 Company Plan," second to the last box on the page.
 9 ARBITRATOR BLOCH: Got it.
 10 MR. FREUND: That wasn't really -- various
 11 people deemed that not to be sufficiently explicit.
 12 So if you look at Exhibit 5A, the next
 13 document after the blue Tab, which is the
 14 December 31, 2012 clarifying agreement that I told
 15 you about that the Creditor's Committee helped
 16 hammer out between the parties.
 17 If you look at page 2 of that document,
 18 paragraph No. 7 says: "The Single Medical Plan
 19 referred to in the CLA under active health will be
 20 deemed to be..." and then it describes the American
 21 plan.
 22 So my point is that yes, the parties

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1 agreed to a market-based in the aggregate standard
 2 with respect to the negotiations and with respect to
 3 interest arbitration.
 4 But they also agreed to something else.
 5 They agreed that there would be a single Company
 6 plan.
 7 And that was -- we're not sitting here and
 8 we're not going to parse, and we're not going to
 9 separate, and we're not going to attach greater
 10 importance or lesser importance to any particular
 11 provision in this document. And that's a provision
 12 in the document.
 13 And we believe that provision is entitled
 14 to be honored and to be honored by this Panel in
 15 adopting -- in imposing a collective bargaining
 16 agreement.
 17 And so that's me-too No. 1.
 18 Me-too No. 2 is a me-too with respect to
 19 profit sharing.
 20 So we have -- we have agreed and
 21 stipulated with the Company that, as we sit here
 22 today and as you all will impose, there will be a

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1 contract. We won't have a profit sharing plan, but,
 2 rather, a \$50 million plug to account for profit
 3 sharing.
 4 But we're also proposing a me-too that if
 5 any other work group at the Company -- and by
 6 that -- by any other work group at the Company gets
 7 a profit sharing program going forward -- and just
 8 to be clear, I want to -- so there's no doubt about
 9 this, by that, we don't mean that any existing stock
 10 bonus program or incentive bonus program that upper
 11 level management may presently have would be an
 12 immediate trigger of that me-too.
 13 We're talking about new profit sharing
 14 programs that are put in place for any work group.
 15 ARBITRATOR BLOCH: Including upper
 16 management?
 17 MR. FREUND: I'm sorry?
 18 ARBITRATOR BLOCH: Including upper
 19 management.
 20 MR. FREUND: Including upper management.
 21 Correct.
 22 But we're talking about new ones.

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1 If any one of those work groups obtains,
 2 through bargaining or otherwise, a profit sharing
 3 plan, that we have the right to exercise -- we have
 4 me-too rights to choose to enter -- to obtain the
 5 same profit sharing plan that -- that those other
 6 groups either get through negotiations or otherwise.
 7 And we have some language about what
 8 should happen in the event that that other group
 9 that first gets a me-too -- I'm sorry, that first
 10 gets a profit sharing plan, later abandons that
 11 profit sharing plan for one reason or another.
 12 And, you know, we think that this is
 13 based -- is a reasonable request and is based on
 14 some cardinal principles that -- really that the
 15 Company has thrown out -- in a sense, not that we
 16 have thrown out. The Company has been public
 17 throughout the system of its insistence that
 18 incentive based pay for other work groups is simply
 19 not going to be what happens at American Airlines
 20 any longer.
 21 They have said it in crew talks. They
 22 have said it on their websites. They have said it

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1 on videos of those base crew meetings that appear on
 2 the websites.
 3 And, you know, if we could propose to this
 4 Panel as a term that the Company shall not provide
 5 profit sharing plans to any other work group, that's
 6 the way we would propose it, but we understand
 7 enough to know that that's not a rational way of
 8 proceeding. So instead, we proposed that if
 9 somebody else gets that benefit, we get that
 10 benefit.
 11 Now, we understand we have to pay for that
 12 benefit.
 13 We have gotten a \$50 million plug. And we
 14 would have to reduce our wages -- if we chose to
 15 exercise that option, we would have to reduce our
 16 wages by that \$50 million plug, that's in -- that's
 17 a deal.
 18 But we think that's a fair trade.
 19 And then finally, the last issue that is
 20 in contention is the starting date for the wage
 21 increases that are included in our wage table.
 22 And I want to be clear, we are not talking

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1 about the starting date for all terms and conditions
 2 in the collective bargaining agreement.
 3 There's complicated implementation
 4 schedules dealt with in a variety of ways,
 5 obviously, that will have to be adjusted in light of
 6 the failed Tentative Agreement, but -- timing that
 7 that creates.
 8 But, you know, there was path A and path B
 9 to getting to a deal. Path A was negotiating a
 10 Tentative Agreement -- negotiating an agreement and
 11 ratifying it. Path B was this process.
 12 There was a cutoff time of negotiations,
 13 and we have chosen path B, or path B has been chosen
 14 for us.
 15 But the fact that path B has been chosen
 16 for us doesn't mean, in our view, that we shouldn't
 17 be denied wage rates that everybody knew were going
 18 to come into effect at some point by reason of this
 19 process.
 20 And accordingly, we believe that
 21 December 2, which was the date that the -- those
 22 wage rates would have otherwise come into effect,

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1 ought to be the wage rates -- ought to be the date
 2 that the wage rates come into effect as ordered by
 3 this Panel.
 4 So in short, this is a very long opening
 5 statement, and I apologize for it to some degree.
 6 But, again, given the very unique nature of this
 7 case, it seemed to me important to breathe some real
 8 life into the cold worlds that are in the written
 9 stipulation, to put this whole exercise into a
 10 broader context and to explain why it is that so
 11 many of the issues that you might otherwise have had
 12 to face, you aren't going to have to face.
 13 But concluding with very strongly a view
 14 that, notwithstanding our ability to reach agreement
 15 on lots of things, our inability to reach agreement
 16 on these last three things don't make them
 17 inconsequential. Indeed, perhaps they make them
 18 more consequential because the parties were not able
 19 to reach an agreement on them.
 20 And we look forward to you awarding us a
 21 contract that includes those three provisions.
 22 Thank you.

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1 ARBITRATOR BLOCH: Thank you, Mr. Freund.
 2 It appears to be lunchtime, so I'm going
 3 to recommend a recess.
 4 After that, Mr. Siegel, you can decide
 5 whether Mr. Freund's description of your opening
 6 statement was satisfactory or present your own if
 7 you want.
 8 MR. SIEGEL: I'm going to give it
 9 consideration.
 10 ARBITRATOR BLOCH: All right.
 11 So let's recess and reconvene. I'm going
 12 the suggest 1:15, please.
 13 And my understanding is that food is
 14 available for somebody.
 15 MR. SIEGEL: Somewhere, somehow, when we
 16 get some set up.
 17 ARBITRATOR BLOCH: Okay. Thank you.
 18 (A recess was taken.)
 19 ARBITRATOR BLOCH: On the record.
 20 I'll turn it over to you, Mr. Siegel, for
 21 an opening statement.
 22 MR. SIEGEL: I would like to, first of

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1 all, indicate that I have decided to give an opening
 2 statement, although my friend, Jeff Freund, has
 3 anticipated some of the points I'll make.
 4 And I will be shorter and more brief and
 5 address primarily the disputed issues.
 6 I would like to begin, though, by -- since
 7 we didn't really get a chance, to say welcome to the
 8 APFA and to the flight attendants in attendance, and
 9 hope you're as comfortable as possible.
 10 We do not anticipate this to be a
 11 adversarial proceeding, and we're glad to have
 12 people here to hopefully resolve the contract
 13 issues.
 14 I would like to introduce the folks here
 15 on the Company side besides myself, Robert Siegel.
 16 I have two colleagues from O'Melveny &
 17 Myers, Mark Robertson and Laura Waters.
 18 Going down the table, Dr. Darin Lee, who
 19 will be a witness in the case. Lucretia Guia, who
 20 is with the legal department at American. Jerry
 21 Glass, who is the president of F&H Solutions Group
 22 and may be a witness.

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1 Michelle Peak, who is with the American
 2 Airlines legal department. Kevin Morris, who is
 3 with Dr. Lee's Company, Compass Lexecon.
 4 Patrick Gultinan, who is with the
 5 financial analysis group at American, who will be a
 6 witness. And Heather Garbenin (phonetic), also with
 7 the financial analyst group at American Airlines.
 8 And we're glad to be here and help the
 9 Panel understand the facts and reach a good
 10 resolution.
 11 I also want to say at the outset that I
 12 will not go through the historical facts that Jeff
 13 Freund did. But I do want to say that the Company
 14 does not contest the historical facts that Jeff has
 15 presented. In fact, we concur with those facts.
 16 We are -- we strongly believe that the
 17 process that we are engaged in today was an
 18 instrumental process in facilitating the merger,
 19 which was viewed to be very valuable for everybody,
 20 stakeholders concerned.
 21 So about 92 percent of his opening
 22 statement, I concur. And we only take issue for the

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1 last 8 percent involving the issues in dispute.
 2 And that does reflect a great deal of work
 3 by the experts on both sides of the table here,
 4 before we ever got here, to work through the model
 5 and work through the costing issues that in many,
 6 many other interest arbitrations require days and
 7 days of testimony.
 8 So I want to salute the experts who gave
 9 in that effort on both sides.
 10 I think one very easy way to focus your
 11 attention on what is presented, is to look at the
 12 joint stipulation. And in particular, page 6 of the
 13 joint stipulation, paragraph 14, which Mr. Bloch,
 14 you mentioned at the start of the hearing.
 15 Because there, we have indicated that the
 16 Company asserts that the value of the APFA proposal
 17 in this proceeding is \$112 million annually above
 18 the baseline.
 19 And it's also above the value of the
 20 legacy contracts at American and US Airways and
 21 therefore satisfies the standard that this Panel is
 22 required to adhere to, the market rate standard.

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1 But we said that it satisfies -- the
 2 proposal satisfies that standard only if three
 3 things are deleted from the proposal, the profit
 4 sharing me-too, the health insurance me-too, and the
 5 request that the increased wages be retroactive to
 6 December 2.
 7 Now, I think the key point for the Panel
 8 is to then understand going down through paragraph
 9 14, that the parties agree on those numbers. APFA
 10 asserts that the value of the proposal is
 11 112 million, agrees with us that it's 112 million
 12 incremental, absent those items.
 13 So the issue of whether those items are
 14 included in the 112 million, we both agree that if
 15 you take those items out, you are at 112 million,
 16 which is the market value.
 17 And then the stipulation goes on and says,
 18 But APFA contends that those three items, and here's
 19 the key phrase, should not be costed in measuring
 20 the value of the JCBA against the Arbitration
 21 Standard.
 22 That's really the issue before the Panel.

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1 We have narrowed it down.
 2 We all agree that we're at 112 million
 3 annual incremental market value without those items.
 4 And the question is whether those items should be
 5 costed or not. Because if they are costed, we're
 6 going to bust through 112 million.
 7 The only way that they can be permitted is
 8 if you just don't count them. And that's what the
 9 APFA has asked you to do.
 10 And I would submit, as I go through some
 11 of our argument, that with all respect to the
 12 assertion by Jeff in his opening, you don't have
 13 authority not to cost items that have value.
 14 The standard for this Panel is to impose a
 15 JCBA that is incremental, \$112 million a year,
 16 including \$50 million credit for the profit sharing
 17 plan.
 18 So the request that you impose, three
 19 extra items and just not cost them, is not within
 20 your authority by virtue of the agreement between
 21 the parties, which requires a JCBA that be at market
 22 rate standard, which means \$112 million incremental,

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1 assuming \$50 million credit for the profit sharing.
 2 So that's the issue.
 3 Now, just to go back on -- and very
 4 briefly, on the standard.
 5 The JCBA that would be awarded by this
 6 Panel must have a total economic value that is equal
 7 to what we called market-based in the aggregate,
 8 which means an economic value equivalent to the
 9 value of the current flight attendant collective
 10 bargaining agreements at United and Continental, and
 11 the work rules at Delta, which you know is not
 12 union.
 13 And we're using the two different
 14 collective bargaining agreements at United and
 15 Continental because they don't have a joint
 16 collective bargaining agreement yet.
 17 That is the standard that's set forth in
 18 the Negotiations Protocol Agreement, which is Joint
 19 Exhibit 3.
 20 And also, we know this, it's set forth in
 21 the joint stipulation. The parties have agreed on
 22 the economic value produced by that standard.

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1 As Jeff Freund mentioned, and as I have
 2 mentioned, the parties worked together to develop a
 3 valuation model that determines really two things.
 4 First of all, a baseline by calculating
 5 the cost of the current flight attendant contracts
 6 at American and at US Airways, and we called it the
 7 baseline. The model sets that out.
 8 And then secondly, the model sets out the
 9 incremental costs of moving from those two contracts
 10 to a JCBA that is market based in the aggregate,
 11 which was defined, as I indicated, to be
 12 Continental, United, and Delta.
 13 And we have already stipulated the value
 14 that this model produces is \$62 million annually
 15 above the baseline, excluding the profit sharing
 16 plans at the other carriers.
 17 And then we went further. For the profit
 18 sharing value, the Union proposed a \$50 million
 19 guaranteed annual value, essentially in the wage
 20 earnings, in lieu of a profit sharing plan.
 21 And in order to limit the issues before
 22 this Panel and for purposes of this interest

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1 arbitration only, the Company decided to agree to
 2 accept the Union's proposed \$50 million guaranteed
 3 annual value in lieu of profit sharing.
 4 But I think it's fair and it's to be
 5 clear, the Company believes that this agreed-upon
 6 \$50 million guaranteed value is, in fact, very
 7 generous.
 8 ARBITRATOR BLOCH: Very?
 9 MR. SIEGEL: Generous.
 10 Very much generous because it eliminates
 11 the inherent risk involved in basing compensation on
 12 Company performance.
 13 And that risk has been demonstrably real,
 14 particularly in the airline industry over the past
 15 years, an industry that has been vulnerable to
 16 negative shocks from anything to terrorist attacks
 17 to fuel spikes, and whose economic performance has
 18 been highly volatile and unpredictable.
 19 So we have agreed to the 50 million. But
 20 to be clear on the record, we believe that it's a
 21 very generous credit.
 22 As a result of what I have just

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1 summarized, the parties have stipulated that a JCBA
 2 that is valued at 112 million incremental to the
 3 baseline, 62 million plus the \$50 million credit, on
 4 an annual basis for the five-year term of the JCBA,
 5 is equal to what we have called market-based in the
 6 aggregate standard that's applicable and binding in
 7 this case on the parties and on the Panel.
 8 Okay. Now, we get now to the proposal.
 9 As Jeff indicated, the parties reached a
 10 Tentative Agreement. And in the course of
 11 negotiating that Tentative Agreement, agreed on a
 12 contract that was demonstratively and admittedly
 13 worth much more than the market rate in the
 14 aggregate, but it was not ratified.
 15 And now we turn to the arbitration
 16 process, which is controlled by the market rate and
 17 the aggregate standard. And the Union has proposed
 18 that we use -- that we adopt and that you impose the
 19 same Tentative Agreement, but with different wage
 20 rates than was agreed upon.
 21 Those wage rates that they proposed are
 22 lower than the Tentative Agreement was, the wage

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1 rates in the Tentative Agreement. They're higher
 2 than the current collective bargaining agreements,
 3 but lower than the Tentative Agreement because the
 4 Union is committed to making a proposal that it can
 5 describe to you as market rate in the aggregate.
 6 So that's what they have done.
 7 They have said adopt a TA, but with a
 8 different wage scale than was in the TA, lower, but
 9 somewhat higher than the status quo.
 10 And we have agreed between each other that
 11 the value of that proposal that I just described,
 12 including the \$50 million credit, for -- in lieu of
 13 profit sharing, is the \$112 million annual number
 14 above baseline.
 15 And thus it is consistent with the
 16 required standard, but for the three specific items
 17 that are in dispute in this case.
 18 And that's it, three specific items.
 19 These items, each one of them, creates
 20 extra value. We're going to assert that, but I
 21 don't think that's disputed.
 22 They all demonstratively create extra

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1 value. The issue is whether you should count that
 2 extra value. And we would say, you do not have
 3 authority not to count it once it's demonstrated
 4 that it puts the JCBA above \$112 million annual
 5 increment to baseline.
 6 Now, what are the three issues?
 7 Well, I think Jeff Freund has done a good
 8 job describing them. But the first one is that they
 9 have proposed, on top of the \$112 million contract,
 10 that they also have a me-too for profit sharing that
 11 would allow the Union, at some point downstream, to
 12 adopt any profit sharing plan offered to another
 13 American Airlines employee group during the term of
 14 the JCBA in exchange for giving back the \$50 million
 15 credit that was put into their wages.
 16 That's the first me-too.
 17 It's set forth in paragraph 3.b and 3.c of
 18 the Union's proposal, which is Joint Exhibit 1.
 19 Secondly, they say, in addition to the
 20 \$112 million JCBA, we also want to have you impose a
 21 me-too for health insurance plans, health insurance
 22 plans that would allow the Union, at some point

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1 downstream, to switch the healthcare plan that has
 2 been agreed upon to a health insurance plan that
 3 might be offered to another American work group
 4 during the term of the JCBA, without any give-back
 5 at all on wages, which is different than what they
 6 said on the profit sharing me-too.
 7 That proposal is set forth in paragraph
 8 4.a of the Union's proposal.
 9 And then the third thing that they have
 10 asked for is that you ordered that the wage rates
 11 that they have proposed be implemented or effective
 12 retroactively, after your opinion is issued, retro
 13 back to yesterday, to December 2, 2014, rather than
 14 on a prospective basis.
 15 And that's set forth in paragraph 2 of
 16 their proposal.
 17 As I have mentioned, when I referred to
 18 paragraph 14 of the joint stipulation there in
 19 argument, when you cut through it all, in support of
 20 these three items is that you should not -- that
 21 these three items should not be costed.
 22 They should just be added into the JCBA on

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1 top of the agreed-upon value that the proposal
 2 otherwise has.
 3 And as I mentioned a moment ago, our view
 4 is that that would be directly contrary to the
 5 market rate standard that the parties agreed to and
 6 that the Panel is bound by, and, therefore, it's not
 7 permitted.
 8 I would even say that the Panel, with all
 9 respect, doesn't have authority to do that.
 10 So let's get to the core of the dispute.
 11 Our view is that suggesting that these
 12 three items should not be costed, that they have no
 13 value, just makes absolutely no sense, and our
 14 evidence will show that. Our testimony will show
 15 that.
 16 The first of all, the Company will present
 17 expert testimony confirming that all options of this
 18 type have economic value and that these particular
 19 options have significant economic value.
 20 And requiring that there be retroactive
 21 higher wage rates going back to December 2, that
 22 would predate the start of the five-year collective

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1 bargaining agreement, by definition adds more value
 2 than the \$112 million that we have assigned to the
 3 five-year contract because they're asking for the
 4 wages to start earlier.
 5 Their wage increases.
 6 That's economic value being added to the
 7 proposal.
 8 As a result, including any one of these
 9 three items would by definition increase the value
 10 of the JCBA above 112 million, would exceed the
 11 market rate in the aggregate standard that is
 12 binding on all of us.
 13 I would like to go into just a little bit
 14 more detail on what we're going to say on each one
 15 of these items, and I'll do it fairly quickly, but
 16 justed as a prelude to the way the evidence will be
 17 presented.
 18 First of all, let me take the health
 19 insurance me-too.
 20 The simplest and most direct reason why
 21 this Panel, in my view, in our view, is required to
 22 reject the proposal on a me-too for health insurance

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1 is because it would violate market-based in the
 2 aggregate standard. It would be outside of your
 3 jurisdiction.
 4 Now, let me say why we think that is so.
 5 First of all, even if the Union never
 6 exercised the me-too option, for whatever reason, an
 7 option of that type has current economic value.
 8 Options of that type demonstrably have
 9 current economic value, and our testimony will so
 10 confirm. And because the value of the proposed JCBA
 11 without this me-too is already 112 million,
 12 including the option would, by definition, increase
 13 the value of the JCBA beyond 112, even if it's never
 14 exercised.
 15 And it gets even worse because the other
 16 part of our evidence will be if the Union does
 17 exercise the option because of a healthcare plan
 18 that were to be adopted for another group, common
 19 sense as well as economic theory indicates that it
 20 would -- that the Union would most likely exercise
 21 that option only if the health insurance plan
 22 provided to another group was more valuable.

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1 And thus, any exercise of the option would
 2 further increase the annual value of the JCBA beyond
 3 112 million.
 4 That's real value.
 5 Their request to you should not be costed,
 6 should not be valued. It can't be so, and our
 7 witnesses will explain why.
 8 There's another reason. As a legal
 9 matter, there's no basis in this agreement that we
 10 present to you for a me-too regarding other groups
 11 on the American Airlines property because the
 12 market-based in the aggregate standard, by
 13 definition, must be determined by the value of the
 14 flight attendant collective bargaining agreements at
 15 the comparator carriers, not the future value of
 16 collective bargaining agreements for non-flight
 17 attendant work groups on the American property.
 18 So by definition, just as a legal matter,
 19 the proposition that this me-too should be included
 20 in the JCBA does not fall within our definition of
 21 market-based in the aggregate, and cannot fall
 22 within that definition.

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1 Now, there is a final reason why you
 2 should not grant a me-too, and it is the one that
 3 Jeff Freund anticipated.
 4 Yes, we do assert that a me-too generally
 5 of this type, which is a healthcare plan, creates a
 6 potential burden on the Company's negotiations with
 7 other work groups.
 8 We all know that other groups at times in
 9 Railway Labor Act negotiations might be willing to
 10 make concessions in other areas in exchange for a
 11 better healthcare plan.
 12 But the me-too proposal would allow that
 13 flight attendant to obtain the same improved plan
 14 without making a similar concession.
 15 That not only -- that not only is unfair
 16 to the other groups, it also imposes an unwarranted
 17 cost on the Company.
 18 Now, I was fascinated to hear Jeff Freund
 19 refer to some me-toos that were included in the TA,
 20 and I think he did that for the proposition that,
 21 therefore, me-toos don't muck up labor relations at
 22 airlines.

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1 Ours witnesses will describe that there is
 2 a qualitative difference between the me-toos that
 3 Jeff was referring to and the me-too for a
 4 healthcare plan, or for that matter, a profit
 5 sharing plan.
 6 The kinds of things he's referring to have
 7 de minimis value and do not constitute the type of
 8 things for which people trade, or for which unions
 9 trade one item for another in collective bargaining.
 10 I took a look at it during the break,
 11 me-toos over the same meals as the pilots get in a
 12 particular craft operation. Me-toos for hotel rooms
 13 for the pilots. Me-toos on priority boarding
 14 issues.
 15 These are qualitatively different than the
 16 two me-toos that are being proposed here, which
 17 involve major expenses on a healthcare -- or major
 18 current and future expenses on healthcare plans and
 19 profit sharing plans.
 20 Our witnesses will describe the
 21 distinction.
 22 The Union is -- Jeff actually also

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1 mentioned that the healthcare me-too should be
 2 adopted because the Company agreed in a document
 3 called the Memorandum of Understanding.
 4 And then I'm not sure what he said we
 5 agreed to because he didn't read the language. But
 6 I thought I would help you out by reading the
 7 language that he was referring to in the MOU.
 8 And here's what it states.
 9 It stated that the: "The AA active
 10 medical plan will cover all American employees as of
 11 January 1, 2013."
 12 That's the language that is in the
 13 document.
 14 I have a number of things to say about it.
 15 First of all, it's absolutely true that
 16 the Company has regularly stated in the past months
 17 that, as its goal, it would like to have all groups
 18 under the same medical plan, and would like to have
 19 all groups receive guaranteed pay in lieu of the
 20 speculative pay that is provided by a profit sharing
 21 plan.
 22 That's no secret.

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1 And Jeff Freund is absolutely right, that
 2 has been the frequently stated goal.
 3 But the language that Jeff is referring to
 4 is not a contractual promise that there would never
 5 be a separate healthcare plan or a profit sharing
 6 plan for any other union.
 7 And for goodness sakes, we couldn't make
 8 that promise. We can't negotiate with the flight
 9 attendants union regarding the terms of employment
 10 for other groups, and we can't promise not to
 11 bargain in good faith with other groups.
 12 We can state what our goals are.
 13 And by the way, if there's any dispute
 14 about that, it's not for this Panel about what was
 15 said or done in the MOU. This is not a System Board
 16 of Adjustment constituted to resolve interpretation
 17 disputes about the MOU.
 18 This is a special panel constituted to
 19 impose a JCBA based on a market-rate standard that
 20 has been defined.
 21 Put all of that aside. Let's just assume
 22 that there was a promise made and somehow that's

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1 established by the Union.
 2 That cannot be the basis for altering the
 3 agreed-upon standard in this arbitration.
 4 We have an agreed-upon standard,
 5 market-based in the aggregate, which allows
 6 reference only to the aggregate flight attendant
 7 cost at Delta, United, and Continental, not to other
 8 non-flight attendant groups at American Airlines.
 9 There is no indication that that standard
 10 has ever been changed, and there's certainly no
 11 indication that this Panel has been empowered to
 12 change it.
 13 Okay. Let me turn to profit sharing
 14 me-too.
 15 Pretty much, the profit sharing me-too has
 16 to be rejected for the same reasons.
 17 It also, just like the healthcare me-too,
 18 provides the Union with the option, downstream,
 19 later, to adopt a -- or request, or opt for a profit
 20 sharing plan that would push the incremental value
 21 of the JCBA past \$112 million.
 22 And I say that because, again, our

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1 testimony will show that the option itself has
 2 economic value even if never exercised.
 3 That's the nature of options that are
 4 provided throughout economic events in labor
 5 negotiations as well as outside of labor
 6 negotiations, and our testimony will so prove.
 7 Now, the fact that the Union's proposal
 8 would require it to give back the \$50 million credit
 9 on their wages if they exercise the option does not
 10 obviate the inherent economic value of the option.
 11 The trade suggested by the Union, which is
 12 later on downstream after we know more, we can trade
 13 off the \$50 million in wages for a profit sharing
 14 plan, completely ignores the fact that the \$50
 15 million stipulated value is based on the current
 16 flight attendant profit sharing plans at the
 17 comparator carriers, not the terms of an unknown
 18 plan for a non-flight attendant group at American
 19 Airlines.
 20 The trade suggested by the Union also
 21 ignores the fact that the \$50 million valuation is
 22 based on the information that is available today to

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1 the Company and the Union regarding future
 2 profitability and is not based on a look back a year
 3 or two years from now after observing financial
 4 performance.
 5 So the trade does not cure the problem,
 6 which is that they have made a proposal that
 7 indisputably increases the value beyond the
 8 \$112 million standard.
 9 One last point, similar to the health
 10 insurance issue.
 11 As a legal matter, just like the health
 12 insurance me-too, a profit sharing me-too is
 13 inconsistent with the market-based in the aggregate
 14 standard, which is based, as I said before, on the
 15 value of the flight attendant collective bargaining
 16 agreements at the comparator carriers and cannot be
 17 based on the future value of the collective
 18 bargaining agreement for a non-flight attendant
 19 group at American.
 20 That's not what the standard is, and
 21 that's not how it has been defined.
 22 Third item that has been proposed and is

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1 in dispute.
 2 The Union has asked you to adopt new wage
 3 rates, which are increases in the JCBA. And then
 4 they have asked you to make them effective
 5 retroactively to December 2.
 6 But by definition, that's going to also
 7 push the value of the JCBA above 112 million.
 8 The valuation is based on a five-year
 9 contract. The five-year contract is not in effect
 10 yesterday, on December 2.
 11 So they're asking you to start the wages
 12 before the five-year period before the collective
 13 bargaining agreement starts.
 14 That adds value over and above the
 15 112 million.
 16 When they ask you to not cost that, they
 17 are asking you to ignore the standard, which you
 18 cannot do and should not do.
 19 And by the way, just so you know, the
 20 Company's view is that the way the TA handled it,
 21 and you can see it in the TA, was that the wage
 22 increase would become effective on -- I may say this

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1 wrong technically, but I think I have got a quote
 2 here, it's we agree that it would become effective
 3 on the first day of the bid month following the date
 4 of signing.
 5 The first day of the bid month following
 6 the date of signing. That's what we said in the TA.
 7 It's a prospective increase, and that's
 8 what we say should be done here.
 9 We will have an arbitration result. We'll
 10 have a JCBA. And we would then implement the wage
 11 increase prospectively on the first day of the bid
 12 month following the date of signing, which would be
 13 pursuant now to arbitration, as opposed to
 14 previously by negotiation.
 15 So I think that's what we're going to
 16 present on these disputed issues. We are going to
 17 demonstrate that any one of these three items, if
 18 they were incorporated into the JCBA, would increase
 19 the value beyond the agreed-upon stipulated market
 20 rate \$112 million value.
 21 And for these reasons, you should, we
 22 submit, exclude those items from the proposal. And

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1 with that exclusion, we wholly agree with their
 2 proposal. And we would ask you to impose,
 3 implement, and endorse their proposal except for
 4 those items.
 5 Thank you very much.
 6 ARBITRATOR BLOCH: Thank you, Mr. Siegel.
 7 Mr. Freund, what's your pleasure?
 8 MR. FREUND: Ready to call Laura Glading.
 9 (A discussion was held off the record.)
 10 ARBITRATOR BLOCH: We'll waive the
 11 swearing, and welcome Ms. Glading.
 12 Let's proceed, Mr. Freund.
 13 Thereupon,
 14 LAURA GLADING
 15 Called for examination by counsel for the
 16 Union, was examined and testified as follows:
 17 DIRECT EXAMINATION
 18 BY MR. FREUND:
 19 Q. So when I was a jury trial lawyer, I would
 20 always begin my questions by saying in a loud, clear
 21 voice, state your name.
 22 But I really mean it here because it's a

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1 big room. So you're a long way from --
 2 A. I have a working microphone, I think.
 3 Q. That's fine.
 4 Let's find out.
 5 A. Laura Glading.
 6 Q. Laura, can you tell us where you're
 7 employed?
 8 A. With the Association of Professional
 9 Flight Attendants.
 10 Q. In what capacity?
 11 A. I'm president, national president.
 12 Q. Why don't you just, in a narrative form,
 13 take us through your employment as a flight
 14 attendant at American, and, as well, your history of
 15 service to the APFA while employed by American.
 16 A. Okay. Started working for American back
 17 in 1978, initially, at the ticket counter at Kennedy
 18 Airport in New York. And then I applied to be a
 19 flight attendant in 1979, and started flying for
 20 American in 1979.
 21 I have always been based in New York, La
 22 Guardia, Kennedy. Mostly, JFK.

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1 I started working for the labor union in
 2 1985, and filled various positions.
 3 ARBITRATOR BLOCH: I would like the
 4 witness -- or if you would move the mic a little
 5 closer to you.
 6 (A discussion was held off the record.)
 7 BY MR. FREUND:
 8 Q. So parallel to that, you have had various
 9 positions at APFA.
 10 Why don't you take us through that?
 11 A. All right. I worked on the Global Union
 12 Council, initially.
 13 I then became vice chairperson or vice
 14 president as they're referred to now, and then
 15 president of my base.
 16 I was actually president and on the Board
 17 of Directors during the strike -- local president
 18 during the strike in 1993.
 19 I then -- every time I left a position, I
 20 went back to flying. So I went back to flying for a
 21 couple of years. I believe from there, then became
 22 a division representative. I was on the Executive

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1 Committee and served on various negotiating
 2 committees, and then president since 2008.
 3 Q. All right. And you said you served on
 4 various Negotiating Committees.
 5 We're going to go through some of those
 6 negotiations, but I want -- just as a predicate to
 7 that, why don't you tell us the negotiations that
 8 you participated in.
 9 A. Well, as you had spoken about in your
 10 opening, in 1999, after the TA was rejected, I was
 11 appointed by the Board to go back in and negotiate
 12 another contract.
 13 And the then president, Denise Hedges,
 14 appointed me -- or made me the chair of the team as
 15 she had stepped down from the Negotiating Committee.
 16 So that was in 1999.
 17 That contract, as you said, was ratified
 18 on September 12, 2011.
 19 Then there was a Restructuring
 20 Participation Agreement, which was negotiated in
 21 April of 2003, and then the negotiations that
 22 began --

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1 Q. Well, what role did you play in the 2003?
 2 A. I chaired the negotiations in 1999 to
 3 2001.
 4 I sort of co-chaired the RPA negotiations
 5 in 2003. And then once I became president and our
 6 contract became amendable a month after I became
 7 president, I naturally chaired that team as well.
 8 Q. So you have essentially chaired all of the
 9 negotiations at American for APFA, really, since the
 10 turn of the century.
 11 A. It feels like it.
 12 Q. Before the turn of the century.
 13 A. Could be a little bit longer, actually.
 14 Yes. It feels like two centuries, but
 15 yes.
 16 Q. So we're going to be going over plowed
 17 ground a bit because I talked about it quite a bit
 18 in my opening statement.
 19 But I want to have you tell us -- tell the
 20 Panel, as someone who participated, a little bit
 21 about each of those negotiations.
 22 So let's start with those 1999

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1 negotiations.

2 I think you said that there had been a

3 failed TA and a new negotiation team?

4 A. Yes. It was a failed TA, new Negotiating

5 Committee.

6 We -- the elected portion and the

7 appointed portion got together in December of 1999

8 for training, and then we started preparing our

9 openers in the negotiating in early 2000.

10 Those -- you asked me a question.

11 Q. No. Go ahead.

12 A. Yeah. So just negotiated for about a year

13 and a half.

14 We asked for a release from the National

15 Mediation Board, had a 30-day cooling off period in

16 June of 2001, and I think signed off on our TA about

17 June 30, 2001. We had a ratification period over

18 the summer.

19 At the time, we had mail-in ballots, so

20 ballots were mailed. And the ballot count was to be

21 on September 12, and it did take place on

22 September 12 in Dallas.

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1 Q. And it ratified?

2 A. It ratified by about 96 percent, I

3 believe.

4 Q. Okay. Now, we all know what happened on

5 September 11, 2001.

6 And I take it, aside -- separate from the

7 immediate implications it had for flight attendants

8 and for the airline on that day, I take it

9 ultimately had implications for the continued

10 ability of the Company to live by the collective

11 bargaining agreement that had just been ratified?

12 A. Right.

13 Obviously because it had been ratified by

14 such a great amount. It was a wonderful contract.

15 It brought terrific pay raises and retro pay. But

16 there was no celebrating on September 12, when it

17 ratified, at all, especially at American Airlines.

18 So we continued to hobble along. There

19 were vast furloughs. American had acquired TWA in

20 early 2001, and unfortunately, many of those new

21 employees were furloughed before they ever came to

22 work at American.

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1 I think I understand that the Company

2 first approached -- I then left my position in -- I

3 guess in 2002, I went back. So I was a line flight

4 attendant again, when I found out in January that

5 the Company was asking the APFA to come back in and

6 renegotiate that contract.

7 And I was asked by the then APFA president

8 and Vice President, as well as the Company, to come

9 back and help with those negotiations. And I

10 immediately declined. But somehow, I wound up

11 there.

12 I can't remember how that happened.

13 Q. That sounds like a line from Godfather 3,

14 but we won't quote that.

15 A. Yeah.

16 Q. So tell us briefly what the consequences

17 or the effects or the ultimate resolution was of

18 those 2000 -- that restructuring.

19 A. Well, the 2003 negotiations were, at least

20 for the APFA share, approximately -- it was over

21 30 percent of our package entirely -- our entire

22 compensation package by over 30 percent.

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1 And all three unions, again, negotiated

2 together. It was a 17-day lockdown negotiation at

3 Flagship University in Texas, with all three unions

4 participating with their experts, PriceWaterhouse,

5 and more attorneys than you can count.

6 It was just a big crowd.

7 And so that ended with a Tentative

8 Agreement on, I believe, April 1.

9 Q. And you said all three unions were caught

10 up in this restructuring presentation?

11 A. Yes.

12 Q. What -- there were other events going on

13 outside of the American in -- at the other carriers

14 at that time.

15 To be clear and not coy about it, other

16 carriers were filing for bankruptcy; correct?

17 A. Right. I believe United went to

18 bankruptcy in December of 2002, and they were

19 already in their 1113 hearing by the time we were in

20 Flagship University making our cuts.

21 And the threat to us, all three unions, at

22 the time, and it was a very credible threat, was

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1 that if one union left the building, then we would
 2 be filing for bankruptcy the following day.
 3 So it was -- the pressure was not only on
 4 us by the Company and to avoid bankruptcy, and what
 5 that would look like, we had a first row seat at the
 6 United bankruptcy. And we also had the pressure
 7 from the other unions that nobody -- we were
 8 watching each other very carefully to see if
 9 somebody would flee.
 10 And we all would have loved to, but we all
 11 stuck it out and made the sacrifices.
 12 Q. That deal was struck, and it had an
 13 amendable date in 2008; correct?
 14 A. Yes, May 1, 2008.
 15 Q. And you already told us in your
 16 introduction, but tell us again what your role was
 17 in the 2008 negotiations.
 18 A. I was president.
 19 So the president, in accordance with our
 20 constitution, is the chairperson of the Negotiating
 21 Committee.
 22 Q. How did you all feel about having to

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1 negotiate a new collective bargaining agreement in
 2 2008?
 3 A. It was not a good year to negotiate a
 4 contract.
 5 We were hopeful and certainly put our best
 6 foot forward. But it was a very, very bad time for
 7 the airline industry on the whole. It was fuel
 8 prices. The economy was starting to tank, and it
 9 was a tough time.
 10 We tried to get sort of a head start, and
 11 did some expedited negotiations early on in the
 12 negotiations, I believe in July of 2008, but those
 13 were unsuccessful. And so we continued to negotiate
 14 very hard, in fact, but didn't make much progress.
 15 Q. Now, we know that -- or we know that in
 16 November of 2011, American declared -- filed for
 17 Chapter 11; correct?
 18 A. Yes.
 19 Q. All right. So tell us, taking back, you
 20 know, the days, weeks before that, tell us what was
 21 happening in bargaining with APFA, and indeed, with
 22 the other unions at American.

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1 A. We had -- at some point in the spring, the
 2 National Mediation Board had sort of put us aside,
 3 if you will, and the Company was really
 4 concentrating on getting a deal with the pilots.
 5 At the time, the officers, Union
 6 presidents were meeting quarterly with the top
 7 executives. And I know I, for one, was very
 8 concerned about American's survival and where we
 9 were going in the future.
 10 It was pretty clear to us that if the
 11 pilots did not achieve a deal, then bankruptcy was
 12 absolutely immanent.
 13 I assumed at the time it probably would
 14 happen sometime after the holidays. I think a lot
 15 of people that would be the case because they wanted
 16 to through the holiday period and try to get some
 17 revenue out of that.
 18 So I was very taken aback by the November
 19 29 date, but I wasn't surprised at the bankruptcy.
 20 At APFA, because we weren't negotiating
 21 and because the pilots negotiations didn't look like
 22 they were going very well, we went out on base

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1 visits without professionals and without taping, and
 2 just tried to get the message out to the membership
 3 that things were not looking very good and
 4 bankruptcy -- I know I couldn't, as president, say
 5 we're in bankruptcy without being asked.
 6 So -- but I knew that every base was --
 7 somebody would ask me, and they did, was bankruptcy
 8 a possibility. And I would tell them yes, it really
 9 is because I just thought it was important for
 10 people to understand what was happening so they
 11 wouldn't take out a mortgage or buy a car.
 12 Q. What was APFA's view of American as -- and
 13 American management in the future of American under
 14 that current management, you know, at that time when
 15 you were bargaining?
 16 A. Well, we were extremely concerned, very,
 17 very concerned.
 18 We had two white papers done on American's
 19 inability to compete. The other mergers were
 20 happening. They had already restructured,
 21 reorganized.
 22 American's business plan seemed to just be

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1 at a complete standstill. There was no growth.
2 There was pull back. There was -- I think we were
3 just sort of waiting for other people to fail. But
4 we had no real viable business plan whatsoever.
5 Q. And what did you do with those white
6 papers?
7 A. We went around Wall Street and talked to
8 the Wall Street investors about it.
9 We thought if the Company had more
10 pressure from Wall Street and others, that perhaps
11 they would change their ways, I guess.
12 We were hopeful.
13 Q. Didn't quite work out that way, though.
14 A. No.
15 Q. So now, we're in bankruptcy.
16 What was APFA's immediate reaction to
17 bankruptcy?
18 A. Well, prior to filing bankruptcy, and not
19 knowing -- I was at the end -- coming toward the end
20 of my term, at the time.
21 And I, at the time, had not decided to,
22 you know, run again.

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1 But I just thought because it was coming,
2 I would try to do a little bit of the prep work.
3 And I met with other labor leaders who had been
4 through the bankruptcy process and asked their
5 opinion on, you know, how it had gone, what they had
6 done that they would have done again, what they
7 would not have done. You know, just get some sort
8 of advice for our group.
9 And the consistent message was to get a
10 seat on the Creditor's Committee. That that would
11 be the place to be if you were going to have any say
12 whatsoever in the plan of reorganizing.
13 Q. And so did you do that?
14 A. Yes. We did.
15 Q. At the same time that you were getting on
16 the Creditor's Committee, separately, I take it that
17 American resumed negotiations with APFA in an effort
18 to -- or I guess I would say as a prelude to the
19 filing of an 1113 motion?
20 A. Yes. Those negotiations didn't start
21 until February 1.
22 All the unions together received their --

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1 and that was February 1, 2012, all the unions were
2 called together to receive our proposals from the
3 Company and start negotiations by June 1113 filing.
4 Q. And give us in sort of broad strokes what
5 the ask was from the Company back then.
6 A. It was pretty much a 20 percent cut across
7 the board for all three unions.
8 Q. My recollection is that your share would
9 have been \$230 million, roughly, a year?
10 A. Yes. That's correct.
11 And can I just go back?
12 In 2003, we had -- the ask was
13 340 million. So this would have been 200 million on
14 top of the annual 340 million that we already cut
15 from our contracts back in 2003.
16 Q. So nearly \$600 million reduction from the
17 last fully bargained collective bargaining
18 agreement?
19 A. Right, or almost half the value.
20 Q. Almost half the value?
21 A. Uh-huh.
22 Q. I'm sure that the three -- for that

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1 matter, seven Panel members have at least a general
2 understanding of bankruptcy and who has what
3 authority in bankruptcy.
4 But you're now an expert, having lived
5 through one and having been on the Creditor's
6 Committee.
7 So why don't we just have you tell the
8 Panel, and, for the record, how in general terms
9 bankruptcy works, who has what powers.
10 A. Right. Well, I hope I never have to use
11 that expertise again, from what I remember of it.
12 But on the Creditor's Committee and for
13 the American bankruptcy, we were fortunate that the
14 U.S. Trustee who appoints the creditors only picked
15 nine members because that was far better than, I
16 think, 13 members on the United bankruptcy case.
17 I think there were 13 members of the
18 Creditor's Committee. So there were nine of us.
19 There were three banks, Hewlett Packard, Boeing,
20 PBGC, and the three unions. And we thought that was
21 a good solid number.
22 But we knew that our job was -- mine was

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1 to learn quite a bit. But it was also to kind of
 2 oversee a plan of reorganization. But the Company,
 3 American, the debtor really had the exclusive right
 4 to file a plan.
 5 So we couldn't create a plan, but we had
 6 to -- we had some say in approval of the plan.
 7 And the Company came into Creditor's
 8 Committee meetings regularly to update their
 9 business plan and tell us what they were thinking
 10 and cutting.
 11 Q. So even before the bankruptcy, you had
 12 reached the conclusion that the -- that, as a
 13 general matter, American's approach to moving
 14 forward was simply not going to work.
 15 And I gather you had the view that a
 16 merger was really required in order to be
 17 competitive?
 18 A. Well, we did, but we didn't speak publicly
 19 about that.
 20 We did a presentation at the Creditor's
 21 Committee. All three unions met and prepared
 22 presentations for the Creditor's Committee.

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1 And in fact, Dan Akins was the one who
 2 first told the Creditor's Committee that a plan of
 3 reorganization would require a merger.
 4 Q. What was the Creditor's Committee reaction
 5 at that point?
 6 A. They were pretty unimpressed with that
 7 recommendation, I would say.
 8 They were not happy. Didn't seem like
 9 there was any interest at that time.
 10 Q. All right. So that takes us to -- this
 11 takes me to March of 2012.
 12 A. Right.
 13 Q. Did you receive a telephone call?
 14 A. Yes, I did.
 15 Well, first, I won the re-election.
 16 Q. Right. You decided to run --
 17 A. Thankfully, at that the time, I did run.
 18 Q. You decided to run, notwithstanding
 19 everything that was going on?
 20 A. Yes, I did.
 21 And so I ran.
 22 So now, it was March. The second term was

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1 to start on April 1. And I receive a call -- first,
 2 I was asked by a couple of people if I would accept
 3 a call from the US Airways leadership, I think, Doug
 4 Parker, Scott Kirby.
 5 But if I agreed to accept the call, would
 6 I remain quiet about the call?
 7 And so I did agree. And I got a call from
 8 Scott Kirby, was the first call, I believe.
 9 Q. All right. Tell us about that call.
 10 A. Basically, you know, said that they had --
 11 Q. Had you known him before that?
 12 A. No.
 13 Just that US Airways was interested in
 14 putting forward some plan that had a merger with
 15 American Airlines, that they wanted to make sure
 16 that the labor unions were on board.
 17 That they had really made this attempt
 18 before with Delta, and, because they hadn't brought
 19 the employees on board, it would be very, very
 20 difficult, if not impossible, to do.
 21 So they would be willing to take this
 22 chance. And they admitted that it had never

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1 happened before in bankruptcy, so it was a pretty
 2 big project.
 3 But they said if they would do it if all
 4 three unions agreed, but they didn't want to do it
 5 without all of the employee buy-in.
 6 So I didn't respond immediately because I
 7 had to speak to the other union presidents. And I
 8 would say we spoke quite often back then, the three
 9 union presidents, myself, Jim Little, and Dave Bates
 10 for APA, at the time.
 11 And so we all agreed that we would, you
 12 know, consider the merger. We met -- oh, I'm sorry.
 13 We met then and went through the deck. I met with
 14 Dan Akins and Scott Kirby, and the pilots --
 15 Q. When did that happen vis-a-vis this phone
 16 call?
 17 A. It was like the third week in March,
 18 maybe, third week in March of 2012.
 19 Q. I'm sorry. Go ahead.
 20 A. And the pilots met independently with
 21 Scott Kirby, as did the TWU, and went through the
 22 same deck.

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1 Q. So you and Dan met where, in --
 2 A. In New York.
 3 Q. In New York.
 4 A. After a Creditor's Committee meeting, yes.
 5 Q. All right. And what happened next from
 6 APFA's standpoint?
 7 A. Well, we went back, and all the
 8 presidents, you know, spoke again because now we
 9 have gone through the deck and saw what the merged
 10 carrier would look like.
 11 It was a very high level look at what a
 12 merged company would look like, and we all agreed
 13 that we would pursue it.
 14 We would meet with -- we were asked if we
 15 would come out to Tempe, Arizona at some point and
 16 talk about engaging in some sort of negotiations.
 17 Q. And you did that?
 18 A. Yes. But at first, I didn't immediately
 19 commit to the negotiations.
 20 I went out with a smaller team on Sunday,
 21 April 1, which was the first day of the new term,
 22 and I had new national officers. It was the first

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1 day, and I had to tell them I'm leaving to go to
 2 Arizona to possibly cut a deal with another carrier.
 3 And they were all very gracious about it,
 4 I would have to say.
 5 But we did go out. I went on a Sunday,
 6 and then the negotiation team came in by Tuesday and
 7 started negotiating.
 8 Q. So who is there first, and then how did
 9 they disband?
 10 A. In the beginning, it was Alex Rohan from
 11 Jeffries.
 12 Dan Akins --
 13 Q. Who is Jeffries, for the record?
 14 A. Jeffries is the financial advisors we
 15 hired for the bankruptcy, APFA hired.
 16 Brent Peterson. You were there. And
 17 Clint Breen, one of the Negotiating Committee
 18 members.
 19 Q. And you said Dan.
 20 A. And Dan Akins; right.
 21 Q. And then the following day, you called in
 22 others?

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1 A. Yes. And that's when Rob Clayman and Anne
 2 Lowe, and the rest of the team came in.
 3 Q. By the team, you mean the --
 4 A. The Negotiation Committee.
 5 Q. -- the negotiating team?
 6 A. Uh-huh.
 7 Q. So APFA had -- essentially, had its whole
 8 Negotiating Committee in Tempe.
 9 A. Yes.
 10 Q. What was the overarching message from
 11 Scott Kirby and US Airways management about what
 12 they felt needed to be accomplished?
 13 A. Well, it was still going to be a
 14 concessionary agreement. It was not going to add
 15 value to the Joint -- the collective bargaining
 16 agreement we were working under. So it was going to
 17 be an agreement that didn't ask as much value as the
 18 1113 did. But it was still a percentage less than
 19 what we -- the size of the packages we had at the
 20 time.
 21 And it was basically asking us to get
 22 within a market rate in the aggregate type of

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1 contract for all three groups, and to have
 2 comparators.
 3 Q. And what were you told was the purpose for
 4 that exercise from the Company's standpoint?
 5 A. Well, it was really a very necessary step
 6 because the Creditor's Committee -- and I knew this
 7 already -- were not entertaining anything other than
 8 what the debtor's plan of reorganization was.
 9 Although they hadn't come up with a plan
 10 that the Creditor's Committee was ready to approve,
 11 and the Creditor's Committee appeared to be getting
 12 a little bit concerned, it was a necessary step to
 13 get into the room to meet with the Creditor's
 14 Committee and to be able to tell them that, Here's
 15 our plan, and our plan is complete with labor costs.
 16 And they were very interested in the
 17 merger. They thought it was necessary to compete.
 18 I -- Doug Parker told me the very first
 19 night, I can't pay my employees network carrier
 20 wages because I don't have a network carrier, and I
 21 would really like to have one.
 22 Q. Did the Company express a view as to what

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1 they would or wouldn't do if, vis-a-vis, the
 2 possible merger, if it was unsuccessful in reaching
 3 contracts based on market rates with the three
 4 unions?
 5 A. Did the US Airways management team at the
 6 time?
 7 Q. Yes. Yes.
 8 A. Well, the whole plan that they wanted to
 9 put forward was based on all three of us coming up
 10 with a contract at that time, yes.
 11 It was a requirement by them.
 12 And even later, it was confirmed by the
 13 Creditor's Committee. So that was the plan.
 14 Q. To be clear, it was your understanding
 15 that, absent making those arrangements, the Company
 16 had articulated they would not proceed with the
 17 merger or attempted merger?
 18 A. Yes.
 19 Q. And you knew from the Creditor's Committee
 20 that that -- from their side, that they would have
 21 the same view.
 22 A. Right. Well, at the time, they didn't

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1 know that we had worked --
 2 Q. Well, of course, just as a
 3 general proposition.
 4 A. Right, yes.
 5 Q. So what was APFA's objective?
 6 I mean, obviously, one of the objectives
 7 was to see to it that there was new leadership at
 8 American.
 9 But from a wages, hours, and terms and
 10 conditions of employment standpoint, what was APFA's
 11 objective when you were in Tempe?
 12 A. Well, I think it was to save the Company
 13 more than anything and everything.
 14 I really think that, at least, from my
 15 standpoint, personally, I was very concerned that
 16 American would not survive, even if they were
 17 through bankruptcy, reorganize.
 18 I didn't see a plan that took us in a
 19 different direction. And I saw Delta and United
 20 growing, and American not being able to compete.
 21 And yes, you know, we definitely were
 22 seeking a new management team, but I wasn't even

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1 sure that would do it.
 2 So we wanted to not wind up with a -- we
 3 already had so many cuts, as you know, from
 4 previous -- from our previous restructuring. We
 5 felt as though we had sort of been through our own
 6 little sort of bankruptcy, although we never
 7 actually went in, but the restructuring
 8 participation was sort of a faux bankruptcy.
 9 So we really felt as though to live
 10 under -- excuse me -- to live under a bankruptcy
 11 agreement for as long as the other carriers had was
 12 going to be unsustainable for our flight attendants.
 13 And so it was very attractive to us to
 14 have a guarantee of having an industry rate contract
 15 coming out of bankruptcy.
 16 Q. But that said, was there -- let me put it
 17 this way -- strike all of that.
 18 The pilots constructed a long-term,
 19 six-year agreement in one fashion, and APFA
 20 structured their arrangement in another fashion.
 21 And can you just tell us how that happened
 22 and why?

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1 A. Right. Well, the TWU and the APA signed
 2 on to six-year deals at that time.
 3 The pilots because they were physically
 4 all right there in Tempe with us in the same hotel,
 5 we were, you know -- they -- it was a little bit
 6 easier for them because Delta had achieved a, you
 7 know, very good contract out of bankruptcy to help
 8 with their merger.
 9 And United had just achieved a contract.
 10 But I felt as though the flight attendant
 11 work group had not achieved a contract in a long
 12 time, and we were so far behind where we should be,
 13 just in the world.
 14 I mean, I just really felt like flight
 15 attendants always had an increase, work rules hadn't
 16 improved, everything had gotten worse in our
 17 profession. And so we felt as though
 18 United/Continental flight attendants would probably
 19 come up with a joint collective bargaining agreement
 20 shortly after the pilots that had the same type of
 21 increases, light increases, which would have brought
 22 the aggregate up.

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1 And so we wanted to wait and see what that
 2 universe looked like.
 3 And Delta, of course, was doing better and
 4 better, and so they had had some increases as well.
 5 Q. So describe -- we have talked about it
 6 quite a bit, but why don't you describe from your
 7 perspective both what the arrangement was that was
 8 achieved within the Tempe negotiations.
 9 A. So what we agreed to was that we would
 10 have this Conditional Labor Agreement, which served
 11 pretty much as a Bridge Agreement until such time
 12 that we negotiated for a joint collective bargaining
 13 agreement.
 14 And at that point, we would negotiate
 15 for -- at the time, the CLA, I believe it was only
 16 30 days.
 17 And then if we didn't reach an agreement
 18 or have an agreement ratified, we would go to
 19 interest arbitration. And at that point, it would
 20 be to negotiate a contract -- I mean to arbitrate
 21 for a contract that was industry rated in the
 22 aggregate.

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1 But it was giving us a lot more time to
 2 see what the landscape looked like and possibly get
 3 better contract.
 4 Q. Okay. So I'm going to now have you look
 5 at one of two documents that I'm going to have you
 6 look at out of these two giant volumes of exhibits
 7 that are sitting in front of you.
 8 And it's in Volume 1, behind Tab 5.
 9 All of these have already been stipulated
 10 to, so there's no issue about authenticity, no issue
 11 as to relevance, and so I would like you to look at
 12 Tab 5.
 13 The first page to the reverse of that
 14 first page, which is numbered page 2.
 15 A. Right.
 16 Q. Do you see it?
 17 Okay. So I got to have it, just so even
 18 though it's in the stipulation, let me ask you if
 19 this is the Conditional Labor Agreement that was
 20 negotiated at that fateful meeting in Tempe?
 21 A. Yes, it is.
 22 Q. It says on the top of the first page, it

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1 says: "APFA to Company 4/12/12."
 2 So this, I take it, would reflect that
 3 this was a pass, APFA to the Company. But it is
 4 executed on the -- by both sides on the last page;
 5 correct?
 6 A. Right. Well, actually, we had left Tempe
 7 by the 12th.
 8 But there were a lot of changes and
 9 clean-up that, I think, Cindi took care of, again.
 10 And so it was finally signed off on the 12.
 11 Q. Okay. So now, where I was originally
 12 going was page 2.
 13 The document is in term sheet form. So
 14 it's not -- doesn't have all the elegance of the
 15 language that one would find in a collective
 16 bargaining agreement. But let's look at Active
 17 Health.
 18 What do we understand -- what can you tell
 19 the Panel that the reference next to Active Health
 20 means?
 21 A. Well, it says: "Single Company Plan."
 22 And basically, I don't think we were sure

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1 exactly what that plan would be. But it was crystal
 2 clear at the time that the Company wanted a single
 3 health plan for all employees.
 4 Q. And that is an express term in this
 5 Conditional Labor Agreement; correct?
 6 A. Yes.
 7 Q. Just the same way that on page 1, the much
 8 larger box that's called Process was an express term
 9 of the Conditional Labor Agreement.
 10 A. Yes.
 11 Q. And it was a term separate and apart from
 12 the process; correct?
 13 A. Yes.
 14 Q. As long as we're on that point, and as
 15 long as we have got the book open, let's just kind
 16 of close the loop on that point and let me ask you
 17 to turn, still under Tab 5, to the first document
 18 after the first blue divider.
 19 Do you see that?
 20 A. Yes.
 21 Q. So letter dated December 31, 2012, this is
 22 obviously some months later.

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1 I'm going to backfill in a moment what
2 happened between April and December, but why don't
3 you tell the Panel what this document is.
4 A. This document was a Memorandum of
5 Understanding, and it just made some clarifications
6 on the CLA.
7 Because at this point, we were feeling as
8 though the Creditor's Committee were accepting the
9 fact that this merger needed to happen.
10 The Creditor's Committee, again, wanted to
11 make sure that, as part of the plan, the labor
12 agreements were in the US Airways plan of
13 reorganization.
14 They needed two plans.
15 They wouldn't accept a merger without
16 looking at the American standalone plan.
17 So they kept insisting that there had to
18 be two plans, and they had to be two complete plans.
19 And so the US Airways people worked to get
20 in the room. They would only get into the room if
21 they had a complete plan to put forward, and so this
22 just kind of made clarifications for the Committee.

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1 And actually, Jack Butler of Skadden, who
2 was our counsel on the Committee --
3 Q. He was counsel to the Creditor's
4 Committee?
5 A. To the Creditor's Committee; correct.
6 Worked on this MOU as well as the pilots'
7 and TWU MOUs. I think we signed off at 11 o'clock
8 on New Year's Eve on this.
9 Q. And this letter speaks for itself.
10 But it is, among other things, a
11 clarification of the Conditional Labor Agreement
12 that was negotiated in April of 2012?
13 A. Right. Right.
14 Q. All right. And in regards to that, turn
15 to page 2, paragraph No. 7, the one that Bob accused
16 me of not reading the entirety of.
17 And you can read the entirety of it.
18 A. It says: "The single medical plan
19 referred to as --
20 (Interruption by the court reporter.)
21 THE WITNESS: Oh, I'm sorry.
22 "The Single Medical Plan referred to in

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1 the CLA under Active Health will be deemed to be the
2 Active Medical plan implemented by American
3 [Airlines] on January 1, 2013 ('AA Active Medical
4 Plan') pursuant to the New CBA along with all of its
5 related provisions. This clarification is expressly
6 based on the representation that the AA Active
7 Medical Plan will cover all American employees as of
8 January 1, 2013."
9 BY MR. FREUND:
10 Q. So given that this December 31, 2012
11 letter is a clear -- it's simply a clear -- at least
12 on that point, is simply a clarification of the
13 Conditional Labor Agreement negotiated in April, is
14 it fair to say that this single line on page 2 of
15 what we looked at earlier that refers to active
16 health plan, single Company plan, that that was
17 embodied in that April 12 agreement?
18 A. Well, yes.
19 But I think it's important to note that
20 when we did the CLA, we didn't know what exactly the
21 plan would look like.
22 And by the time we had the MOU in

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1 development and the Creditor's Committee agreed to
2 look at the, you know, the plan, in its entirety
3 with full labor agreements, we had to stick a
4 medical plan in there because it couldn't just be
5 the single medical plan.
6 ARBITRATOR BLOCH: I'm sorry.
7 You had a what medical plan?
8 THE WITNESS: A single medical plan.
9 ARBITRATOR BLOCH: I see.
10 THE WITNESS: So they just wanted one
11 medical plan.
12 And so there was nothing to fill in on our
13 contract, or our Conditional Labor Agreement,
14 because it was all part of the plan of
15 reorganization for the US Airways plan of
16 reorganization, which was the merged plan.
17 So we filled it in with the American plan.
18 So I have to -- honestly, I knew there
19 would be one single plan; and that was, again,
20 crystal clear from the beginning.
21 And I think at the time, it was sort of
22 almost like a placeholder. Right now, we're just

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1 going to go with the American plan because we need
 2 to fill in for the CLA.
 3 But, yes, that was a carryover for the one
 4 single medical plan on the property, as was the
 5 understanding, and that's why there was the
 6 clarification.
 7 ARBITRATOR BLOCH: All right.
 8 Give me just a moment.
 9 Thanks for your indulgence.
 10 MR. FREUND: Sure.
 11 BY MR. FREUND:
 12 Q. All right. I want to actually go back and
 13 have you expand upon a couple of things you alluded
 14 to in your general description of discussions in
 15 Tempe.
 16 You told us that APFA took a different
 17 approach to the five-year or six-year labor cost
 18 stability than the pilots took.
 19 And you explained why the pilots already
 20 had a standard -- higher standard that they were
 21 shooting against, whereas the flight attendants
 22 didn't.

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1 I'm asking this question because I know
 2 that Mr. Bloch, at least, is potentially implicated
 3 in the pilots' situation, and we all know that they
 4 have an arbitration provision in their contract as
 5 well.
 6 Can you just tell us, so that there's no
 7 confusion among the group, how their arbitration
 8 provision, as you understand it, differs from our
 9 arbitration provision?
 10 A. Well, their arbitration provision, I
 11 believe, is the same economic framework of the cost
 12 that they negotiated back in Tempe, or as a result
 13 of the MOU, it was changed slightly in their MOU.
 14 Just like our December 31 needed clarifications,
 15 their's did.
 16 And so they -- they had to -- the
 17 arbitration standard, economic standard was limited
 18 to that value.
 19 Whereas at the time, our economic value
 20 wasn't based on what we negotiated in Tempe, but
 21 rather what was the industry average at the time
 22 that we started the negotiations, ended

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1 negotiations.
 2 Q. Or arbitration, as the case may be.
 3 A. Arbitration; right.
 4 ARBITRATOR BLOCH: I have just got to make
 5 a statement for the record.
 6 That I certainly accept that testimony as
 7 being your interpretation of the mandate applicable
 8 to the pilots, just --
 9 THE WITNESS: Right.
 10 MR. FREUND: I was going to clarify that,
 11 if you didn't.
 12 THE WITNESS: Right.
 13 ARBITRATOR BLOCH: Thank you.
 14 That's just for my own self-protection.
 15 THE WITNESS: Thank you.
 16 Okay. And I'll let the pilots argue
 17 whatever they want.
 18 I may not be right on that.
 19 ARBITRATOR BLOCH: Okay. But if I may,
 20 just to -- one quick question for counsel.
 21 MR. FREUND: Yeah.
 22 ARBITRATOR BLOCH: And this is in

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1 reference to one of the statements you made in your
 2 opening statement. This is for my own clarification
 3 and understanding.
 4 Is this, and by "this," I mean, the CLA
 5 cryptic reference and the December 31 letter, which
 6 I think is 5a.
 7 MR. FREUND: Correct.
 8 ARBITRATOR BLOCH: Are those the documents
 9 you're referring to as agreements that underscore
 10 and legitimize the Union's request in this case for
 11 the option?
 12 MR. FREUND: Yes.
 13 ARBITRATOR BLOCH: Thank you.
 14 MR. FREUND: Yes.
 15 I mean, yes, with the following qualifier.
 16 We may or may not have a debate about
 17 whether a me-too as a economic matter has value and
 18 can bust through the 112.
 19 ARBITRATOR BLOCH: Understood.
 20 MR. FREUND: If I'm wrong about that -- I
 21 don't think I am -- but if I'm wrong about that, I
 22 really -- my principal point is, there's a separate

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1 and independent premise with respect to it.
 2 ARBITRATOR BLOCH: But that argument that
 3 you just referred to, really turns over the question
 4 whether an unexercised option has value; true?
 5 MR. FREUND: Well, I think we need to wait
 6 to hear from Bob's witnesses on that point.
 7 ARBITRATOR BLOCH: Okay.
 8 But, no, I wasn't referring to that.
 9 MR. FREUND: Yeah. But our point is --
 10 our point is, assuming arguendo that either an
 11 exercised or an unexercised option has value in some
 12 fashion, whether it's a dollar or a million dollars,
 13 our position is it doesn't matter. This is a
 14 separate and independent premise that has equal
 15 weight and stands with equal force as the other
 16 terms of the CLA and the NPA.
 17 ARBITRATOR BLOCH: Thank you. Thank you.
 18 That's very responsive to my question.
 19 Thank you. Sorry for the interruption.
 20 MR. FREUND: That's all right.
 21 No, it was a good interruption and helpful
 22 to crystallize where we are.

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1 BY MR. FREUND:
 2 Q. I think you alluded to this as you were
 3 going through in a narrative form what happened in
 4 Tempe and what APFA's interests were, but I want to
 5 just dwell on it for a moment.
 6 Was the fact that there was a -- was the
 7 fact that there was going to be a discreet period of
 8 time for negotiating and ultimately arbitrating the
 9 absence of agreement to get to an agreement an
 10 important factor from APFA's standpoint during those
 11 discussions?
 12 A. I'm not sure I understand the question.
 13 Was it important to have more time?
 14 Q. No.
 15 Was it important that there was -- that as
 16 part of the CLA, there was going to be a discreet
 17 and fixed period of time by which there would be a
 18 new --
 19 A. Oh, yes. Yes.
 20 Q. Tell us a little more about that.
 21 A. Well, again, you know, I haven't watched
 22 how long it takes to get a collective bargaining

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1 agreement, having been in negotiations as many times
 2 as I have been to see how protracted those would be.
 3 I know that we would probably be living
 4 under something that was less than what we could
 5 achieve later. I thought it was very, very
 6 important to have a shortened negotiation.
 7 That being said, it was also a
 8 requirement, given our deal, that they know the
 9 costs moving forward for X period of time.
 10 So it was really a mutual interest, but it
 11 was certainly attractive to us.
 12 Q. All right. And you touched on this as
 13 well, but I wanted to circle back to it for a
 14 moment.
 15 The market -- market-based in the
 16 aggregate standard was the overarching standard that
 17 US Airways was seeking from all of the work groups
 18 for purposes of this agreement.
 19 But from APFA's standpoint, was that also
 20 an importance factor?
 21 A. Yes.
 22 Q. And can you tell us why that was?

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1 A. As I said before, it was just really
 2 important not to come out of bankruptcy and have
 3 some bankruptcy agreement that kept us way behind.
 4 I didn't see a way that we would be able
 5 to fix it. I knew it would be a long-term contract.
 6 I saw Delta and United, you know, having merged,
 7 getting sort of a head start on synergies.
 8 I assumed that Delta rates would be going
 9 up shortly. They seemed to be really overtaking
 10 American. So it was just important to have some --
 11 to be competitive, really.
 12 Q. Okay. The CLA, as it was originally
 13 negotiated, if I remember correctly, did not contain
 14 in it specific reference to reopening the
 15 discussions in the event of a subsequent
 16 United/Continental joint collective bargaining
 17 agreement?
 18 A. Not originally, no.
 19 Q. And how did that get changed or fixed?
 20 A. That happened -- I can't really recall
 21 when those discussions were had, to tell you the
 22 truth.

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1 But at some point, I think I realized that
 2 the merger was happening. And the whole idea was
 3 that we were waiting to see where United/Continental
 4 were going to fall.
 5 And I think all of the parties in Tempe
 6 thought that the flight attendants would have
 7 achieved a contract long before that.
 8 So when I spoke with the Company, I said
 9 that was the whole intent behind our agreement was
 10 to see where they were, and we don't have that now.
 11 So we agreed that we would -- if we did have an
 12 agreement and they got an agreement subsequent to
 13 ours, we would reopen and add value.
 14 Q. Okay. Following that we don't have to
 15 spend, really, any time on the Department of Justice
 16 antitrust lawsuit, although, I know you got dragged
 17 into that one as well.
 18 A. Uh-huh.
 19 Q. But I take it that that lawsuit was
 20 settled and the merger closed; correct?
 21 A. Correct.
 22 Q. And when the merger closed, the

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1 Conditional Labor Agreement, as modified by the
 2 December 31, 2012 agreement, kicked in, and those
 3 terms and conditions took effect; correct?
 4 A. Correct.
 5 Q. Now, I guess I skipped over one small
 6 part, which we should just have in the record as
 7 part of the history.
 8 After you negotiated the Conditional Labor
 9 Agreement, you still had the ongoing bankruptcy
 10 proceeding and 1113 process going on with the
 11 Company.
 12 A. Yes.
 13 Q. And that led to actually an agreement as
 14 well; correct?
 15 A. Yes.
 16 Q. And that was -- that's something that's
 17 commonly referred to as the LBFO, the last, best,
 18 and final offer?
 19 A. Yes.
 20 Q. And that was ratified by the APFA flight
 21 attendant group?
 22 A. Yes, it was.

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1 Q. And in connection with that ratification,
 2 was the flight attendant group advised that, if the
 3 merger takes place, a Conditional Labor Agreement
 4 will replace the terms of the --
 5 A. Yes, that's correct.
 6 Q. -- LBFO?
 7 A. In fact, we told the membership that if
 8 they ratified this, it would sort of -- it was a
 9 necessary step for the merger, and the CLA would be
 10 coming after, would replace it once the merger took
 11 place.
 12 Q. Okay. And you said that agreement was
 13 ratified?
 14 A. Yes, it was.
 15 Q. Okay. Now, the merger happens.
 16 The Conditional Labor Agreement comes into
 17 effect.
 18 At that point, the APFA's attention
 19 turned -- at least part of its attention turned to
 20 representation issues?
 21 A. Yes.
 22 Q. Tell us about the representation issues.

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1 A. Well, I -- the whole thing was a little
 2 bit -- well, not a little bit, very uncomfortable,
 3 you know, negotiating with US Airways, when AFA with
 4 flight attendants at US Air. And APFA and the AFA
 5 have always enjoyed a very, you know, strong bond
 6 and good relationship.
 7 So after we saw the merger was imminent,
 8 we started talking with the AFA, and both parties
 9 agreed that it was in the best interest of the
 10 membership to find a path that did not have a
 11 representation election. Because, again, we saw
 12 what was happening at United/Continental. There was
 13 representation election, and it really left scars
 14 and anger that, you know, still live on today and
 15 probably will for some time.
 16 So we sort of made the commitment that we
 17 would try to strike some sort of arrangement where
 18 we would avoid that. And, you know, to more of
 19 APFA's credit because they really had to dig deep,
 20 we came up with an agreement to have APFA,
 21 ultimately, be the representative.
 22 Q. And did part of that agreement include a

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1 commitment to try to reshape the negotiating
 2 protocols that were in the Conditional Labor
 3 Agreement?
 4 A. Yes.
 5 Q. And what was the objective in that
 6 agreement with respect to changing those protocols?
 7 A. Well, AFA understandably wanted to make
 8 sure that they had a real seat at the table,
 9 participation in the negotiations, the elements from
 10 their red book, which was their contract, or is
 11 their contract still, that they would like to hold
 12 on to.
 13 They wanted a longer negotiations period.
 14 They felt that that was very important, too.
 15 So we came up with an agreement that
 16 answered all of their concerns.
 17 Q. Okay. And you say came up with an
 18 agreement.
 19 First, their commitment was with APFA to
 20 seek that agreement with the Company; correct?
 21 A. Yes, exactly.
 22 Q. And then you did --

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1 A. Right.
 2 Q. -- in fact, seek that agreement.
 3 A. So APFA and AFA signed off on an agreement
 4 on bargaining and representation, and that was to,
 5 going jointly, meet with the Company and come up
 6 with a Negotiations Protocol Agreement that would
 7 change some of the timelines and whatnot under the
 8 process in the CLA.
 9 Q. And I said I was only going to have you
 10 look at two pages, but we might as well have you
 11 look at a third one.
 12 If you look at 3 in the book, please.
 13 Do you have it?
 14 A. Yes.
 15 Q. Is that the Negotiations Protocol
 16 Agreement?
 17 A. Yes, it is.
 18 Q. And you heard me during opening statement
 19 describe the change that was made to the
 20 negotiations standard.
 21 Originally in the CLA, it was simply
 22 market-based in the aggregate, and the NPA made some

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1 changes in that?
 2 A. Right. We added two prongs to say that it
 3 would be greater than what the US Airways contract
 4 was at the time, and greater than the American's.
 5 So we added two prongs.
 6 Q. And you extended the period of time for
 7 negotiations.
 8 A. Yes, uh-huh.
 9 Q. So after that was negotiated, I take it
 10 the Joint Negotiating Committee convened and began
 11 its work, and negotiations began; correct?
 12 A. Yes. Well, both the ABR, Agreement on
 13 Bargaining and Representation, and the NPA, the
 14 Negotiations Protocol Agreement, was ratified by the
 15 US Airways flight attendants because they were, in
 16 essence, voting to change unions.
 17 And then, we had to start negotiating, I
 18 believe, within 60 days of that ratification, and we
 19 did.
 20 Q. My notes say negotiations began on
 21 April 24.
 22 I don't know if you remember that to be

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1 the case.
 2 A. Sounds right.
 3 Q. And tell us about the sort of how the
 4 negotiations worked.
 5 A. There were seven members from the APFA and
 6 seven members from the AFA.
 7 And they started meeting with the Company
 8 and decided that they would tackle things in a
 9 certain order.
 10 Both parties agreed to have Jim McKenzie,
 11 who was named as the mediator in our agreement, to
 12 mediate all through the negotiation process. And he
 13 did -- or facilitate was really his role more than
 14 mediate.
 15 Q. You were not technically in Section 6 --
 16 A. No.
 17 Q. -- negotiations.
 18 A. These were not Section 6 negotiations.
 19 So the National Mediation Board -- we had
 20 Jim McKenzie sort of on loan, I suppose you would
 21 say, to facilitate the negotiations during the
 22 entire period.

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1 Q. And you have heard a lot of talk and you
 2 have seen the joint -- I know you have seen the
 3 joint stipulation about the costing model. Dan is
 4 going to testify a little bit about that.
 5 But in general terms, what can you tell us
 6 about it and its role in the negotiating process?
 7 A. Dan's calculations of the ...
 8 Q. I'm not -- just as a general matter, how
 9 did -- what role did that model play in the
 10 negotiation?
 11 A. Well, that was the number that was
 12 established that would bring us up to -- well, \$61
 13 million added to the value of the current deal to
 14 bring us up to the industry average.
 15 And so our goal was to achieve greater
 16 than what -- we wanted the industry leading. We
 17 felt very proud of our new large company, and felt
 18 as though we could and would achieve an industry
 19 leading contract.
 20 Q. And both parties relied on the modeling
 21 that Dan and American finance had developed?
 22 A. Yes.

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1 Q. So the cutoff date was September 19?
 2 A. Yes, it was.
 3 Q. And you achieved a Tentative Agreement on
 4 September 19?
 5 A. Yes.
 6 Q. And subsequent to that, you had a meeting
 7 of your Executive Committee and Board in Washington
 8 on September 24?
 9 A. Yes.
 10 Q. What was the purpose of that meeting?
 11 A. The Executive Committee has to approve a
 12 contract to send out for ratification.
 13 So the purpose of that meeting was to
 14 bring the Executive Committee together, and I was
 15 committed to have the Board present as well to
 16 review the Tentative Agreement and send it out to
 17 the membership for ratification.
 18 Q. And that was a two-day meeting in
 19 Washington?
 20 A. It was only two days?
 21 Q. Yeah.
 22 A. Yes, I guess.

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1 It seemed like -- yes, I guess it was.
 2 Q. Did something dramatic happen at that
 3 meeting?
 4 A. Probably a couple of things, but you're
 5 talking about the Delta announcement.
 6 Q. Yeah.
 7 A. Okay. So in the middle, I think we were
 8 just having the resolution printed at the business
 9 office when --
 10 Q. The resolution to?
 11 A. The resolution to send the Tentative
 12 Agreement out to the membership for ratification.
 13 We heard through social media that Richard
 14 Anderson had given Delta a raise, and our wages were
 15 based on 3 percent above Delta.
 16 And so he gave a 3 percent wage increase
 17 effective April 1, 2015, with a 4 percent at the top
 18 of scale.
 19 So we were now just about par, a little
 20 bit behind come April --
 21 Q. So what --
 22 A. -- as far as wages.

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1 Q. So what did you do?
 2 A. So after I got up off the floor, I went
 3 and called Doug Parker and Scott Kirby.
 4 Q. And?
 5 A. And they responded to my call immediately,
 6 and agreed to match that wage increase effective
 7 December 1 -- December 2.
 8 Q. I take it, they first had to verify for
 9 themselves that --
 10 A. Yes.
 11 Q. -- you weren't just upping the --
 12 A. We were on the computers --
 13 Q. -- scale on them.
 14 A. Yes. Exactly.
 15 Q. So I'm sorry, I spoke over you.
 16 What did they agree to do?
 17 A. They agreed to the wage increases that
 18 Delta were to receive on April 1, 2015, to put those
 19 wage increases in place on December 2, 2014, with
 20 the American flight attendants.
 21 Q. And by my -- by my reckoning, that
 22 increased the value of the Tentative Agreement, that

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1 was now being considered for ratification, to
2 \$193 million a year incremental over the existing
3 collective bargaining agreements?
4 A. That's correct.
5 Q. The Tentative Agreement then went out for
6 ratification; correct?
7 A. Yes.
8 Q. And I assume APFA communicated in various
9 ways to the flight attendants about the terms of the
10 agreement?
11 A. Yes.
12 Q. And it was defeated?
13 A. Yes.
14 Q. Sixteen votes out of 16,000?
15 A. It was over 16,000 votes cast, were
16 eligible votes cast, yes.
17 Q. One last historical event before we get
18 down to what's actually in dispute in the case.
19 The -- after the contract was defeated,
20 and as we were getting ready for this arbitration,
21 did we learn that Delta had made some additional
22 changes with various of its work rules?

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1 A. Yes.
2 Q. And that has an incremental effect on the
3 market value in the aggregate --
4 A. Right.
5 Q. -- of increased -- moved it from 61 to
6 62 million?
7 A. Yes.
8 Q. Okay. And our proposal is premised, as
9 you understand it, on \$62 million plus the
10 \$50 million plug for profit sharing; correct?
11 A. Yes.
12 ARBITRATOR BLOCH: At this stage, if I can
13 interject.
14 Why don't we just take a brief break?
15 MR. FREUND: Okay.
16 (A recess was taken.)
17 ARBITRATOR BLOCH: Take a seat, please.
18 We'll go on the record. And I'll turn it
19 back to you, Mr. Freund.
20 MR. FREUND: Thanks, Mr. Bloch.
21 BY MR. FREUND:
22 Q. I was going to turn now to the specific

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1 subjects in dispute.
2 But of course, whenever there's a break, I
3 think about things that I didn't ask you. So I'm
4 going to go back and -- this is why we shouldn't
5 have breaks.
6 So I'm going to ask you just a couple more
7 things before we go into the specifics of the
8 proposal.
9 I think it's probably clear to everybody,
10 but just so that there isn't any doubt about this.
11 The Tentative Agreement that was reached
12 and not ratified, and the agreement that's going to
13 eventuate from this arbitration, this is not a
14 full-blown Section 6 negotiation with all of the
15 trimmings; correct?
16 A. No.
17 Q. That's yet to come?
18 A. At the amendable date of the Joint
19 Collective Bargaining Agreement, yes.
20 Q. This is in a sense an amendment to the
21 existing collective bargaining agreement that would
22 otherwise have been in place?

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1 A. Yes.
2 Q. And, you know, we brushed over this
3 probably in a sense, unfortunately, because the
4 proposal is to include virtually everything that was
5 in the Tentative Agreement, except for the wage
6 rates.
7 And then, of course, the two add-ons.
8 And so we really never spent any time on
9 the meat of the Tentative Agreement and the meat of
10 what is going to be the arbitrated agreement.
11 But I take it that the work that was done
12 by your Negotiating Committee and on the opposite
13 side as well, was prodigious work?
14 A. It was unbelievable work.
15 I have never seen a group of people work
16 so hard and accomplish so much in so little time.
17 It was a really tremendous job by the APFA
18 Negotiating Committee and worked very well with the
19 Company team.
20 Q. And of course, your historical perspective
21 is on the APFA side.
22 But you had a team that was equally

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1 comprised of US Airways flight attendants; correct?
 2 A. Yes. But, again, the team -- the APFA
 3 team just were so tenacious and coordinated and
 4 unified throughout the entire process.
 5 It was really a sight to behold. It was
 6 very, very impressive.
 7 Q. Okay. So I already broke my promise of
 8 telling you that you only had to look at two
 9 documents by showing you a third one.
 10 So now, I'm going to break it again. And
 11 just so we close up loops, if you turn to Tab No. 1,
 12 in Volume One of the Joint Exhibits, that is APFA's
 13 proposal in this case; correct?
 14 A. Yes.
 15 Q. And we already have a stipulation that,
 16 putting to one side for the moment the me-toos and
 17 the December 2 date, that the wage rates that are
 18 contained on page 1, coupled with, you know,
 19 multiple pages that comprise the Tentative
 20 Agreement, have a combined value of \$112 million on
 21 average over five years over the existing agreement;
 22 correct?

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1 A. Correct.
 2 Q. And Dan is going to testify a little bit
 3 about that as well.
 4 So I want to now turn to page 2, which is
 5 Item No. 4.
 6 Well, let's knock off Item No. 5, first.
 7 Item No. 5, in our proposal, is the effect
 8 of the United Airlines Joint Collective Bargaining
 9 Agreement.
 10 You understand that to be simply lifting
 11 the language that was previously agreed to about the
 12 second bite in the event of a United Joint
 13 Collective Bargaining Agreement?
 14 A. Yes.
 15 MR. FREUND: And my understanding is,
 16 although we haven't actually had a discussion on the
 17 subject, but the Company agrees with that provision
 18 as well.
 19 MR. SIEGEL: That's correct.
 20 BY MR. FREUND:
 21 Q. So looking then one up from No. 5 to No.
 22 4, the health insurance me-too.

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1 So let's just talk about that for a
 2 moment.
 3 Going into these, you already pointed out
 4 the provisions in the CLA and the December 31 MOU
 5 relating to health insurance, but let's now talk
 6 real world circumstances.
 7 Going into this round of negotiations,
 8 American flight attendants were already on the
 9 Company plan.
 10 Is that right?
 11 A. Going into those negotiations, yes.
 12 Prior to the LBFO, American Airlines
 13 flight attendants were enjoying an incredible
 14 healthcare plan.
 15 And then, at the CLA, of course, we said
 16 we would go on one single plan at the LBFO. After
 17 that, our plan changed tremendously, yes.
 18 Q. Okay. And your understanding is that the
 19 plan, at that time, changed for all work groups at
 20 American; correct?
 21 A. Yes.
 22 Q. Okay. But what was the circumstances --

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1 what were the circumstances at US Airways going
 2 into --
 3 A. Well, the US Airways flight attendants
 4 still had the health plan in their red book that was
 5 far better than the American plan.
 6 Q. All right. And I don't want you to say
 7 anything at all about what was said across the table
 8 during bargaining.
 9 But from your side's standpoint, driven --
 10 well, from your side's standpoint, was the loss of
 11 the US Airways health insurance plan a major issue
 12 to be reckoned with?
 13 A. Oh, yeah. I would say it was one of the
 14 largest issues to be reckoned with because it was
 15 such a plan.
 16 It was going to be so devastating for the
 17 flight attendants.
 18 They had just ratified the TA and worked
 19 very hard to hold onto their health plan.
 20 Q. And nevertheless, the combined team agreed
 21 to move off of the -- off of the US Airways health
 22 plan for US Airways flight attendants.

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1 A. That was in the TA as well as in our
 2 proposal, yes.
 3 Q. And just so we have the whole picture,
 4 there's a bit of a lag. Is that right?
 5 That is, they don't move off of it
 6 until --
 7 A. Yes, there is.
 8 Q. Starting in 2016?
 9 A. Correct. They would keep their healthcare
 10 plan for 2015.
 11 Q. Okay. And going back to the CLA and the
 12 December 31 MOU, those -- that document was part and
 13 parcel of the plan of reorganization that was
 14 ultimately approved by the bankruptcy court;
 15 correct?
 16 A. Yes, that's correct.
 17 That was the purpose of the MOU, was to
 18 present a full plan with full costs to the
 19 Creditor's Committee.
 20 Q. So all of the constituents -- all of the
 21 constituents in the bankruptcy, at least, had
 22 constructive knowledge -- whether they actually read

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1 all the documents now remains to be seen, I suppose.
 2 But all of the constituents in the
 3 bankruptcy, including the Company, including the
 4 Creditor's Committee, including all of the
 5 individual creditors who were already on the plan,
 6 would have read the -- had access to and would have
 7 read the provision that defines what the single
 8 health plan was that was contained earlier in the
 9 CLA.
 10 A. Right. Now, as I recall, I think the
 11 pilots' whole contract or MOU was put before the
 12 Court for approval.
 13 But our CLA and the value was part of the
 14 plan of reorganization when they put the labor union
 15 values. So it was actually part of the plan that
 16 the Creditor's Committee was to vote on.
 17 Because, again, we had to vote on a plan
 18 of reorganization, and they wanted to put one plan
 19 up against another, and they needed total costs.
 20 Q. Okay. And, again, without anything that
 21 was said across the table in negotiations, outside
 22 of the negotiations, has the Company then insisted

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1 in public that all of its employees were going to be
 2 on a single plan?
 3 A. Yes.
 4 Q. Let's turn to page 1, paragraph No. 3 of
 5 the interest arbitration proposal, which is the
 6 profit sharing me-too.
 7 Tell us -- well, again, setting the stage
 8 and as a predicate -- it's already stipulated to --
 9 we know that there's a \$50 million plug for profit
 10 sharing.
 11 But we are proposing that, if American
 12 institutes a profit sharing plan for any of its work
 13 group, that we have the option to trade out
 14 \$50 million for that profit sharing plan; correct?
 15 A. Correct.
 16 Q. So tell us, so the Panel has, again, a
 17 context what the history of profit sharing is or was
 18 at the two airlines, not so much the payouts, but
 19 the existence of the plans.
 20 A. Well, at American, we always had profit
 21 sharing, although, probably few people knew it
 22 because it never paid anything.

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1 I think we were paid twice or maybe a
 2 third time in the course of probably 12 years.
 3 The US Airways flight attendants achieved
 4 profit sharing during one of their bankruptcies, and
 5 I can't recall whether it was the first or the
 6 second, but that was a result of the bankruptcy.
 7 But they, today, in their red book have
 8 profit sharing.
 9 And we, the American unions lost profit
 10 sharing or traded profit sharing during the
 11 Conditional Labor Agreement bargaining in 2012.
 12 Q. And as, again, putting aside what might or
 13 might not have been said across the bargaining
 14 table, has the Company taken public positions on
 15 whether there will be profit sharing plans among any
 16 of the other work groups?
 17 A. Yes, very public.
 18 Q. What have they said?
 19 A. Well, Doug Parker has been very clear that
 20 philosophically, he doesn't think that profit
 21 sharing motivates employees, and doesn't think it's,
 22 in general, a good idea as part of the compensation

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1 package.

2 Q. So if the Company lives up to its public

3 statements, the profit sharing me-too will not have

4 occasion to be triggered; correct?

5 A. That's correct.

6 Q. But let's just talk a moment about what

7 you perceive as possible pressure points on the

8 Company's resolve to maintain that position.

9 A. Well, I would think that the other work

10 groups are probably going to be demanding profit

11 sharing in their contracts.

12 I can't speak for them, obviously. But I

13 don't think that anyone anticipated oil prices to be

14 where they are today, which are going lower and

15 lower.

16 Profits being as high as they are.

17 So I would imagine that people are now --

18 profit sharing has become much more attractive

19 things. Always been an area of concern for our

20 membership, both the LUS and the LAA side.

21 So I imagine that the same sentiments are

22 shared by the unions on the -- the other unions on

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1 the property.

2 Q. And from APFA's perspective, do you think

3 it would be fair, just, and appropriate for other

4 workers to have profit sharing?

5 In the face of the Company's strong

6 observations that they aren't going to agree to it,

7 do you think it would be fair and appropriate for

8 other workers to have the benefit of a profit

9 sharing plan and APFA not?

10 A. No. I do not think it would be fair.

11 Q. But we're willing to pay for it; correct?

12 A. Yes.

13 MR. FREUND: All right. I was going to

14 take you through the painful process of identifying

15 all of the ten me-toos that -- ten or eleven me-toos

16 that exist in the contract.

17 But I had a conversation with Bob Siegel,

18 and I think we're just going to give the three of

19 you reference points to the provisions in the

20 contract.

21 ARBITRATOR BLOCH: Thank you.

22 MR. SIEGEL: It's actually the TA you're

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1 referring to.

2 You're saying the contract.

3 MR. FREUND: I'm sorry. The TA.

4 The TA. Our proposal. Our proposal.

5 MR. SIEGEL: Very good.

6 MR. FREUND: Our proposal.

7 BY MR. FREUND:

8 Q. So as dramatic as it would be to have you

9 read those, I'll skip that.

10 And then finally, the December 2 date for

11 the commencement of the new wage rates that are

12 contained in paragraph 1 and paragraph 2 of our

13 proposals.

14 First off, we're not asking that the

15 effective date of the collective bargaining

16 agreement in all of its glory be retroactive to

17 December 2; correct?

18 A. Correct.

19 Q. The effective date would be an effective

20 date consistent with the description that Bob Siegel

21 identified early on.

22 A. Right.

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1 Q. That was the first day of the bid month

2 following the issuance of the award.

3 A. That's correct.

4 That would be the effective date.

5 Q. But the wage rates in our proposal would

6 be effective retro to December 2.

7 A. That's correct.

8 Q. And why do you believe that's a fair and

9 appropriate thing to do?

10 A. Well, I think we all understand where we

11 needed to be, where we wanted to be.

12 We agreed on the industry average in the

13 aggregate. We know what the number will be, and it

14 doesn't -- for the flight attendants to wait a month

15 for those earnings, it doesn't seem to make any

16 sense to me, or to the APFA.

17 Q. And if the contract were to run -- I'm

18 just picking an arbitrary date.

19 If the contract were -- in other respects,

20 were to be effective January 2, 2015, and run for

21 five years, and contained the provisions in the

22 Tentative Agreement and the new wage rates, it would

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1 meet the \$112 million standard commencing from
2 January 2 through the five years of the contract;
3 correct?
4 A. Right, yes.
5 MR. FREUND: That's all I have.
6 ARBITRATOR BLOCH: Thank you very much.
7 Any questions?
8 MR. SIEGEL: I just have a few.
9 CROSS-EXAMINATION
10 BY MR. SIEGEL:
11 Q. Let's start with the last point you just
12 made, if I can, Ms. Glading, the effective date.
13 First of all, in the TA, as I understand
14 it, the effective date of the wages would be the
15 first day of the -- and I hope I say this right, the
16 first day of the bid month following the date of
17 signing of the contract.
18 Is that correct?
19 A. That would be the effective date of the
20 full contract, yes.
21 Q. Under the TA, that was going to be the
22 first day -- that was the effective date of the

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1 contract and also the effective date of the pay
2 raises within the TA; correct?
3 A. In our proposal or in our TA?
4 Q. No. I'm not talking about your proposal.
5 A. Oh, in the TA, yes, that's correct.
6 Q. That's correct.
7 So just to line it up. I'm just trying to
8 set the stage here. The TA, before it went out for
9 ratification, provided that the contract effective
10 date would be the first day of the bid month
11 following date of signing.
12 Is that correct?
13 A. Yes.
14 Q. And that the -- and that the effective
15 date of the wage increase would be the same date as
16 the contract effective date.
17 A. That's correct.
18 It would have been December 2, actually.
19 Q. And --
20 ARBITRATOR BLOCH: I'm sorry.
21 Could I just interject?
22 I really -- I may have misunderstood.

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1 I thought your answer to Mr. Freund was
2 that you were not required -- you're not suggesting
3 that the entire contract should be effective on that
4 date.
5 THE WITNESS: Right. What I'm being asked
6 about is the TA.
7 So the Tentative Agreement that was
8 rejected, the effective date would have been
9 yesterday for the entire contract.
10 ARBITRATOR BLOCH: Oh, I'm sorry.
11 THE WITNESS: Whereas, in the proposal,
12 we're using that same formula, except we're asking
13 that the wages start of December 2.
14 ARBITRATOR BLOCH: Thank you very much.
15 I appreciate it.
16 MR. SIEGEL: And just for the Panel, I'm
17 asking questions about the TA that did not ratify,
18 then I was going to move on to the proposal and,
19 frankly, show the difference, so...
20 ARBITRATOR BLOCH: Thank you. I
21 apologize.
22 MR. SIEGEL: No, not at all.

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1 THE WITNESS: Okay.
2 BY MR. SIEGEL:
3 Q. But just as I understand it, the TA --
4 still focusing on the TA, not the current proposal.
5 The TA didn't say that it would become
6 effective December 2; correct? It didn't name a
7 date.
8 A. No, it did not.
9 Q. It said, First day of the bid month
10 following date of signing.
11 A. That's correct.
12 Q. And the way you got to December 2 under
13 that language was assuming a ratification on
14 November 9.
15 Is that correct?
16 A. Yes, that's correct.
17 Q. Okay. And, again, just to make sure that
18 the record is clear here, under the TA that was not
19 ratified, the effective date of the contract was
20 going to be the same date that the pay increase was
21 going to also be effective; right?
22 A. Under the TA, yes, that's correct.

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1 Q. And under the proposal, if I understood
 2 your testimony correctly, now under the proposal, as
 3 under Jeff's hypothetical, assuming we have a
 4 contract that comes out of arbitration in due
 5 course, and it has -- the contract becomes effective
 6 on, say, January 2, 2015, for a five-year duration,
 7 just under that assumption, Jeff's assumption, your
 8 proposal would call for the pay increase to become
 9 effective, nonetheless, on December 2, prior to the
 10 start of the five-year collective bargaining
 11 agreement.
 12 Is that correct?
 13 A. That's correct.
 14 Q. Okay. And just -- I hate to count the
 15 days, but if you count the number of days between
 16 December 2 and January 2, it might be around 30 days
 17 pay added to the five-year collective bargaining
 18 agreement that was agreed to in the TA.
 19 Is that correct?
 20 A. Yes.
 21 Q. Okay. And I hate to be argumentative with
 22 you, but wouldn't you think that 30 extra days of

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1 higher pay would add cost and value beyond the
 2 112 million that has been referenced?
 3 A. It would.
 4 But I would submit that we would consider
 5 moving the amendable date up a month if that was a
 6 concern.
 7 I think the idea here is though -- was
 8 that with regard to the TA, we did not know whether
 9 it would ratify, and we didn't know what the pay
 10 rates would be.
 11 I think here, today, we know what the
 12 value of the contract will be. We have stipulated
 13 to the value of the award, if you will.
 14 So it just seemed only fair that whatever
 15 the pay rates were, they would be retroactive to
 16 December 2.
 17 Q. Well, it would be -- if we follow -- if
 18 your proposal followed what you agreed to in the TA,
 19 then one other version of your proposal would have
 20 been to simply make the arbitrated JCBA be the -- to
 21 simply say the first day of the payroll month
 22 following date of signing of the arbitrated

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1 collective bargaining agreement.
 2 That would have been the same concept that
 3 you had in the TA originally; correct?
 4 A. It would have been, but that's not what we
 5 proposed; right.
 6 Q. That's not what you proposed.
 7 A. Correct.
 8 Q. On the -- on the healthcare me-too, if I
 9 could direct your attention to that subject.
 10 I want to just these -- some of your
 11 testimony went back to some documents other than
 12 your proposal going back some period of time.
 13 To get our bearings, if I -- I want to
 14 make sure on Exhibit 5 of the binder, it says --
 15 there's a Conditional Labor Agreement dated 4-12-12.
 16 And the Conditional Labor Agreement, if I
 17 understand this correctly, was the -- I think you
 18 referred to it as a Bridge Agreement.
 19 In your mind, is that right?
 20 A. Well, it was named the Conditional Labor
 21 Agreement, but because we knew there would be
 22 another round of negotiations, we were referring to

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1 it as the Bridge Agreement.
 2 Q. All right. So that's why you called it a
 3 Bridge Agreement because --
 4 A. Yes.
 5 Q. Okay. And this Conditional Labor
 6 Agreement was to cover premerger American Airlines
 7 flight attendants?
 8 A. Yes, it was.
 9 Q. The premerger US Airways flight
 10 attendants, at that time, still remained under their
 11 collective bargaining agreement, their AFA
 12 collective bargaining agreement.
 13 A. That's correct.
 14 Q. So the document that we called CLA was a
 15 agreement to cover the premerger American Airlines
 16 flight attendants as of 4-12-2012.
 17 And going to page 2, then, there was an
 18 agreement -- I take it the entry -- I know this is
 19 not full contract language, but as you pointed out,
 20 it says: "Active Health: Single Company Plan."
 21 And I take it that represents a rather
 22 short form description of the plan that would be

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1 applicable to American Airlines flight attendants
 2 under the CLA.
 3 A. Yes.
 4 Q. Premerger American Airlines flight
 5 attendants?
 6 A. Well, yes and no.
 7 Because when we agreed to it, it was --
 8 because what the US Airways management team told us
 9 at the time was that it was their intention to get
 10 everyone in the Company under the same policy.
 11 So that part -- and, of course, the
 12 Process piece really did speak to both the LUS and
 13 the LAA.
 14 I mean, it doesn't, of course, say that
 15 and say that we would accept this single Company
 16 plan. But the idea in the negotiated -- the
 17 discussions during negotiation was that the idea was
 18 to get a single plan for all employees under the new
 19 American once there was a merger.
 20 The Process piece was the other piece that
 21 spoke to the LUS side.
 22 Q. I'm sorry. I didn't --

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1 A. The Process piece under the Conditional
 2 Labor -- you said the Conditional Labor Agreement
 3 only really applied to the American flight
 4 attendants.
 5 I was just pointing out that the Process
 6 piece also was the other piece that really does talk
 7 to both parties. It was the process for ratifying a
 8 joint bargaining agreement.
 9 Q. The APFA did not on 4-12-2012 represent
 10 the premerger US Airways flight attendants; correct?
 11 A. No.
 12 Q. A different union represents them, the
 13 AFA.
 14 A. Yes, correct.
 15 Q. Okay. And the document -- all I'm asking
 16 you is, the CLA that we're talking about, on
 17 4-12-12, when it says: "Active Health: Single
 18 Company Plan," it's a contract and an entry that
 19 applies to the premerger American Airlines flight
 20 attendants; correct?
 21 A. Correct.
 22 Q. Okay.

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1 A. I guess what I'm saying is not the
 2 whole -- you're saying in that one little piece?
 3 Q. That's what I'm asking you about.
 4 A. Okay. Just that one piece.
 5 Q. Absolutely.
 6 A. Okay. So the Conditional Labor Agreement,
 7 in parts, does speak to the both because we're
 8 talking about a joint collective bargaining
 9 agreement.
 10 But under the Active Health, yes, we were
 11 saying we would agree, at that time, under the CLA,
 12 to go with a single plan we were told would overlay
 13 all employees.
 14 Q. All right. But, Ms. Glading, at the time,
 15 you -- on 4-12-12, you're fully aware that -- that
 16 the premerger US Airways flight attendants are
 17 covered by a different plan under their own contract
 18 at the time you're signing the CLA; correct?
 19 A. Yes.
 20 Q. Okay. And in fact, you're aware that -- I
 21 assume you're aware that other employee groups at
 22 premerger US Airways are also covered by their own

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1 plans; correct?
 2 A. Yes.
 3 Q. For example, the Passenger Service agents
 4 at US Airways had their own separate plan; correct?
 5 A. I guess they did.
 6 I mean, I didn't look at their plans.
 7 Q. Okay. And then I think you directed our
 8 attention under still Tab 5 to a document -- a
 9 letter addressed to you December 31, 2012, that I
 10 think you have referenced as the MOU, Memorandum of
 11 Understanding; correct?
 12 A. Yes.
 13 Q. And who asked you -- who contacted you
 14 regarding signing this letter?
 15 A. Well, I was a part of the discussions.
 16 Q. You signed the letter.
 17 Were you contacted by somebody from the
 18 Creditor's Committee to sign the letter?
 19 A. I was speaking with Jack Butler from the
 20 Creditor's Committee, and Laura Einspanier from
 21 American Airlines.
 22 (Interruption by the court reporter.)

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1 THE WITNESS: Oh, from the Creditor's
 2 Committee.
 3 On the secured Creditor's Committee, Jack
 4 Butler. And Laura Einspanier, E-I-N-S-P -- it was
 5 on here.
 6 Well, anyway, Laura Einspanier, I had
 7 discussions with. We were all sort of working on
 8 this letter together. And Scott Kirby, I
 9 understand.
 10 I don't remember directly speaking with
 11 Scott, but ...
 12 BY MR. SIEGEL:
 13 Q. Well, isn't it true that you were --
 14 that -- you mentioned Jack Butler. He was the
 15 outside counsel representing the Creditor's
 16 Committee; correct?
 17 A. Correct, yes.
 18 Q. He was a partner at Skadden Arps law firm.
 19 Is that correct --
 20 A. Yes, he was.
 21 Q. -- at the time?
 22 A. Yes.

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1 Q. And it's correct to say that you were, at
 2 least at some point, contacted by Mr. Butler asking
 3 you to agree to and sign this letter?
 4 A. I guess.
 5 I don't remember how the discussion
 6 started. I understood that the Creditor's
 7 Committee, before they voted on the plan, and to
 8 consider it, wanted to know the labor costs.
 9 And, therefore, because the pilots had
 10 engaged in MOU, there were some questions and
 11 clarifications they needed on ours before they added
 12 it to the plan of reorganization.
 13 And that was sort of the reason.
 14 Q. But your part of the conversation was that
 15 you were contacted by Mr. Butler?
 16 A. I'm sorry?
 17 Q. You were contacted by Mr. Butler on behalf
 18 of the Creditor's Committee regarding this letter?
 19 A. Well, he was mediating. He worked with
 20 the pilots on their MOU, TWU. He was sort of
 21 working with all the unions.
 22 So he didn't contact me out of the blue.

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1 I was aware that he was working on these, and we
 2 discussed it with him.
 3 Q. Right. I actually -- Ms. Glading, I
 4 didn't ask you if he contacted you out of the blue
 5 because I know he didn't out of the blue.
 6 A. Well, no, I know.
 7 But it sounds like he called and said,
 8 Please sign this letter.
 9 Q. I'm sorry.
 10 A. I'm sorry. Yes. I guess he contacted me;
 11 I contacted him. We were in contact, yes.
 12 Q. Okay.
 13 A. Absolutely.
 14 Q. Now I'm directing your attention to
 15 paragraph 7 of the letter that you called out to us
 16 in your direct testimony.
 17 Where the first sentence indicates that
 18 the Single Medical Plan referred to in the CLA will
 19 be deemed to be the active medical plan by American,
 20 implemented by American on January 1, 2013, pursuant
 21 to the new CBA, along with all the other related
 22 provisions.

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1 Now, isn't it true that that clarification
 2 was requested by Mr. Butler on behalf of the
 3 Creditor's Committee from you, and that that --
 4 A. Yes, definitely.
 5 That piece was, excuse me, discussed with
 6 Jack Butler.
 7 Q. And I take it, it would be accurate to say
 8 that in requesting this clarification from you,
 9 Mr. Butler never -- that you never requested from
 10 Mr. Butler that there be a promise that American
 11 Airlines would not, in the future, bargain as
 12 required under law in good faith with other unions
 13 regarding the subject of medical care.
 14 A. No. We never discussed that.
 15 Q. Okay. Only a couple more questions.
 16 Directing your attention to the profit
 17 sharing subject, a me-too.
 18 I wrote down that, in your direct -- and I
 19 just want to confirm this -- that you have indicated
 20 that the Company officials have expressed their
 21 philosophy in favor of guaranteed pay as opposed to
 22 the profit sharing pay as a method of compensation.

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1 Is that correct?

2 A. That's correct.

3 Q. And I take it, in telling that to the

4 Panel, you're not testifying that you received

5 promises from the Company that it would not bargain

6 in -- that it would refuse to bargain in good faith,

7 as required by the law, with other unions regarding

8 their compensation demands.

9 You did not receive that promise from the

10 Company, did you?

11 A. My discussions with the Company was they

12 didn't promise not to bargain in good faith, but

13 they said that they were not going to be bargaining

14 profit sharing.

15 Q. Let's explore that.

16 You first said that it was their

17 philosophy that they favored fixed compensation over

18 profit sharing as a form of compensation.

19 That was a statement you have heard

20 Company officials make.

21 A. Right. Yes.

22 Q. But I have not heard you testify, and I

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1 think we should be careful about this, that you are

2 not testifying that anybody at the Company made a

3 promise that they would refuse to negotiate any

4 subject, any term and condition of employment with

5 another union pursuant to the requirements of law.

6 A. No.

7 Q. They did not?

8 A. No.

9 MR. SIEGEL: Okay. I have no further

10 questions.

11 ARBITRATOR BLOCH: Anything else for

12 Ms. Glading?

13 MR. FREUND: I just have a couple.

14 REDIRECT EXAMINATION

15 BY MR. FREUND:

16 Q. I'm not sure, entirely, where Bob was

17 going when he was asking you questions about Jack

18 Butler proffering the December 31, 2012 document.

19 But if you turn to it for a moment, it's

20 signed by Scott Kirby; correct?

21 A. Right. Yes.

22 Q. On December 31, 2012, Scott Kirby wasn't

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1 president of American Airlines, was he?

2 A. No.

3 Q. He was still -- there was no merger at

4 that point; correct?

5 A. Correct.

6 Q. He was management at US Airways.

7 A. Yes.

8 Q. President of US Airways.

9 A. Uh-huh, yes.

10 Q. And when you were in Tempe in April of

11 2012, and we all were hammering out this term sheet,

12 was there a discussion about what the single company

13 plan might be?

14 That is -- well, let me give a predicate

15 to that.

16 You knew that -- as you testified, you

17 knew that US Airways had a different and better

18 medical plan than American had; correct?

19 A. No.

20 Actually, ours were about 8 percent better

21 than theirs at that time.

22 Q. Oh.

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1 A. Because we were still under the American

2 agreement.

3 So they showed us -- they were unsure what

4 the universal plan would be.

5 Q. When you say they, who do you mean?

6 A. The US Airways management team.

7 Q. Okay.

8 A. And in fact, we said well, can you give us

9 an idea by showing us the medical plan that the US

10 Airways flight attendants are currently under.

11 And they did.

12 And so we actually got a value for

13 switching -- assuming that would be the plan, we

14 actually got some credit because ours, at that time,

15 believe it or not, was better than what they

16 currently have now.

17 Q. Okay. But without going into the credits

18 and -- I probably started this by incorrectly

19 describing which one was better, the point is, in

20 your conversations with the US Airways management

21 about the words that were going to be in the box on

22 page 2, there wasn't any question that you were

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1 talking about the health plan that was going to be
 2 in place once there was a merged carrier; correct?
 3 A. Correct.
 4 MR. FREUND: And I'm going to just sort of
 5 make a statement to clear up the record, which I
 6 think bears on nothing at all.
 7 My --
 8 MR. SIEGEL: I object.
 9 What did you just say?
 10 MR. ROBERTSON: Based on relevance.
 11 ARBITRATOR BLOCH: Go ahead and make the
 12 statement.
 13 MR. FREUND: I think it is in point of
 14 fact, the effective date of the Tentative Agreement
 15 was date of signing, which was, in fact -- would
 16 have been November 9, 2014, not December 2, 2014.
 17 The wage rates were going to go into
 18 effect on December 2, 2014.
 19 So I'm not sure anything follows from
 20 that, but except that the record is now correct.
 21 MR. SIEGEL: I agree with both points.
 22 And I agree with the factual statement

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1 just made, and nothing follows from it.
 2 MR. FREUND: Yeah. Okay. Good.
 3 ARBITRATOR BLOCH: So the objection you
 4 might have made is overruled.
 5 MR. SIEGEL: Yes.
 6 ARBITRATOR BLOCH: Anything else for
 7 Ms. Glading?
 8 Board have any question questions?
 9 You guys okay?
 10 Ms. Glading, thank you very much for your
 11 endurance and your responsiveness.
 12 THE WITNESS: Thank you.
 13 (The witness stood down.)
 14 ARBITRATOR BLOCH: You need a couple of
 15 minutes?
 16 MR. FREUND: I don't think so.
 17 ARBITRATOR BLOCH: Okay.
 18 MR. FREUND: I think our objective is to
 19 try to get our case in today, and I think we can do
 20 that.
 21 ARBITRATOR BLOCH: Please, call your next
 22 witness.

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1 MR. FREUND: Roger is going to call our
 2 next witness.
 3 (A discussion was held off the record.)
 4 Thereupon,
 5 DANIEL AKINS
 6 Called for examination by counsel for the
 7 Union, was examined and testified as follows:
 8 DIRECT EXAMINATION
 9 BY MR. POLLAK:
 10 Q. Good afternoon, Dan.
 11 Would you state your full name for the
 12 record?
 13 A. Sure.
 14 My name is Daniel W. Akins, A-K-I-N-S.
 15 Q. And, Dan, would you describe, not in too
 16 gory detail, but in some detail, your background as
 17 an airline economist?
 18 A. Sure. I have been an airline economist
 19 for about thirty years, just after deregulation hit
 20 the fan, and was educated in transport economics,
 21 London School of Economics.
 22 I have worked for various unions. I

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1 worked for all sorts of airline entities, including
 2 airports, airlines, labor unions, ancillary folks
 3 such as the people that used to put food on planes.
 4 And this engagement was sort of a
 5 follow-on from previous negotiations that I did with
 6 APFA and other groups.
 7 I have been through a lot of recent
 8 history with bankruptcies, merger related pilot
 9 seniority integrations.
 10 I'm currently involved with a number of
 11 unions negotiating at Southwest, United, and other
 12 sort of activities --
 13 Q. And Dan --
 14 A. -- over the past 30 years.
 15 Q. -- do you have experience costing out
 16 labor agreements?
 17 A. Yes, I do.
 18 I have done dozens and dozens of contract
 19 cost-outs, both in terms of Section 6 bargaining in
 20 the areas of seniority list integrations, and also
 21 in terms of joint collective bargaining agreements
 22 for various groups.

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1 Q. And were you retained by the Union in this
 2 case to provide advice and counsel on various
 3 airline economics and labor costings issue in this
 4 negotiations?
 5 A. Yes. And I think that started about three
 6 years before the bankruptcy.
 7 And so I have ridden with the APFA and
 8 done various cost-outs and assistance in
 9 negotiations from the Section 6 negotiations that
 10 preceded the bankruptcy, through the bankruptcy,
 11 through 1113 negotiations, as well as the
 12 discussions that Laura had with US Airways
 13 management in terms of getting some of the cost-outs
 14 and the various negotiations that Laura described
 15 that resulted in various bridge and other
 16 agreements.
 17 And I have also been involved, obviously,
 18 in this round of joint collective bargaining
 19 negotiations to merge the two contracts at the
 20 former US Airways and now American.
 21 Q. And did you represent the Union in
 22 discussions with the Company about costing of the

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1 various contracts, both of the competitors and of US
 2 Airways flight attendants and of American flight
 3 attendants in order to understand how they fit
 4 within the standard that is in the CLA and
 5 Negotiations Protocol Agreement?
 6 A. Yes. And the various structures that were
 7 to be adhered to, which is the market rate as well
 8 as the contingency that both contracts had to be
 9 made better off through this arbitration, not worse
 10 off.
 11 I was in the sausage factory with the
 12 American folks trying to figure out all of the
 13 components from all the different carriers applied
 14 to the joint collective group of flight attendants
 15 that are now employed by the world's largest
 16 airline.
 17 Q. So I take it you're imminently familiar
 18 with the arbitration standards, the three-prong
 19 standard that has been referred to here several
 20 times today?
 21 A. Yes.
 22 Q. All right. And could you, just as part of

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1 making a record in the case, describe for the Panel
 2 how the parties went about costing out the different
 3 contracts, both those of the United, Continental,
 4 and Delta flight attendants, as well as of the
 5 American and US Airways flight attendants?
 6 A. Sure. I think in about May, early, before
 7 the summertime, the criteria to figure out what
 8 market-based rates were, required us to collect, I
 9 guess, in one of these documents, all of this
 10 paperwork, to figure out what was in the various
 11 contracts at Legacy US, Legacy American, as well as
 12 the United, Continental, and Delta work rules, and
 13 apply them in a way that's fairly standard, which is
 14 to apply them to the demographics of the labor
 15 group, which in this case was split between US
 16 Airways and American, with their current contracts
 17 and try to understand all of the pay implications,
 18 all of the economic impacts that are borne by
 19 various pieces of each contract.
 20 And try to come to an analysis of the
 21 comprehensive cost to American Airlines that is
 22 borne by the resulting contracts that it absorbed

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1 from US Airways and American before bargaining
 2 started.
 3 And that resulted in an analysis, a pretty
 4 deep dive with the Company folks, trying to figure
 5 out all of the things that were forecast for the
 6 Company during the next five years.
 7 That is, how many block hours, how many
 8 flight attendants, what type of aircraft, how much
 9 international versus domestic flying, all sorts of
 10 contingencies that are necessary to evaluate the
 11 cost implication of a contract in a Company.
 12 Q. Great. Would you describe that as a
 13 comprehensive effort, then?
 14 A. Yeah. And I think, you know, I have been
 15 around the block a few times with models. Each one
 16 has a little bit different slant.
 17 This one was set up primarily to evaluate
 18 the impacts of three other contracts on top of it,
 19 so it had to be a little bit more flexible.
 20 But as a result, we were essentially
 21 looking at five contracts, US Airways, American as a
 22 base. And then American, United, and Delta as the

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1 market comparator. So it was a little bit more
 2 complicated that the volume of information that's in
 3 these contracts, you know, three or 400 pages worth
 4 of negotiated collective bargaining over the years
 5 has an impact.
 6 And each company's operation is slightly
 7 different, and the interpretation of those
 8 contractual items is different. So it took some
 9 time for the Company and the Union, represented by
 10 me, to get sort of geared into what exactly was
 11 going on.
 12 One of the benefits, I think, that I
 13 brought to the negotiation is that I have worked
 14 with the United/Continental flight attendants on
 15 both their contracts.
 16 I have worked with US Airways on their
 17 most recent red book contract, and in the past. And
 18 I have obviously worked with American. So I had
 19 some sense about what was going on in other flight
 20 attendant contracts.
 21 And, again, the point of the exercise was
 22 not to find out who was wrong or to have a dispute.

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1 It was really to make things right.
 2 Q. And did your work with American flight
 3 attendants go back to the interest arbitration in
 4 1994, 1995?
 5 A. It was interrupted for a bit, but yeah,
 6 probably 15 of those 20 years.
 7 Q. Okay. And so in the modeling process,
 8 would you describe that as a joint effort between
 9 you, on behalf of the Union, and Patrick, who has
 10 been introduced here, and others on behalf of the
 11 Company to arrive at agreed-upon values?
 12 A. Right. And I think one of the things that
 13 I was encouraged by is that American, on their side,
 14 as well as on our side, me, were looking for
 15 analytical truth.
 16 I didn't sense any push by the Company to
 17 try and preserve something that didn't make sense in
 18 terms of cost savings or cost increases. That we
 19 really tried to do a thorough analytical review.
 20 And the resulting model, which I think is
 21 in its fifth iteration for this arbitration, has to
 22 be updated every time Delta adds some contractual

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1 components or any changes, so it has to be flexible
 2 enough.
 3 But I think it's completely comprehensive,
 4 highly detailed in a very robust costing model for
 5 flight attendant costs.
 6 Q. And what were the baseline values that,
 7 working together with the Company, you determined
 8 were the average annual total economic value of the
 9 Legacy American and US Airways contracts?
 10 A. Well, again, one of the standards that we
 11 had to sort of investigate was, again, to try not
 12 only look at market, but to see if the resulting
 13 joint collective bargaining agreement was higher
 14 than American collectively and US Airways
 15 collectively.
 16 So on the American side, what we call the
 17 baseline, which is, again, the current carrying cost
 18 of the contract that was negotiated previous to the
 19 JCBA, was about 1.1 billion in total, on average,
 20 for the next five years.
 21 So it was going to cost the Company
 22 something like 5.5 billion to pay American flight

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1 attendants, offer them sick leave, vacation, health
 2 benefits, et cetera, given the current contract for
 3 the next five years.
 4 US Airways was around 500 million. So
 5 that would mean over five years, 2.5 billion on
 6 average, with the last year being higher than the
 7 first year as a result of existing wage structures
 8 and other improvements in the contract overtime.
 9 So each side, we were able to dig down and
 10 try and figure out what the baseline was on the US
 11 Airways side and what the baseline was on the
 12 American side.
 13 And if you take 1.5 billion and add 1
 14 billion -- 1.1, billion, sorry, to the 500 million,
 15 you end up with a combined contract cost with all
 16 the flight attendants combined under one airline,
 17 under all the flying that could done and forecast by
 18 that one airline, American, would cost 1.6 billion.
 19 So that became the fulcrum upon which all
 20 the other measures were based.
 21 Q. What did you do next in order to figure
 22 out whether and to what degree the comparators,

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1 Delta, United, Continental flight attendant
 2 contracts were more valuable than the baseline of
 3 1.6 billion for the American and Airways contracts?
 4 A. Right. Well, each contract doesn't
 5 necessarily have everything better than the other
 6 contract.
 7 So we had to go through line by line item
 8 and look at things like vacation accrual, vacation
 9 pay. Did they get paid premiums for vacation? Did
 10 they accrue sick in a certain way? Did they get
 11 paid sick leave 100 percent of the time that they
 12 accrued?
 13 And each one of those line items we
 14 averaged for the other carriers, United, Delta, and
 15 Continental, and essentially added up the three
 16 factors and divided by three, and then applied them
 17 to both US Airways and American to figure out what
 18 the market was for each one of about fifty different
 19 cost items.
 20 And they included items like hotels,
 21 parking per diem, wages, vacation accrual, sick
 22 accrual, defined contribution plans for Continental

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1 has a defined benefit plan.
 2 It was very incremental, very detailed,
 3 and I think highly reflective of the actual costs of
 4 the average of those other carriers.
 5 Q. And in figuring all of this out, you know,
 6 is there some back and forth between you and Patrick
 7 and others, like thrashing out of what was the right
 8 truth, so to speak?
 9 A. Right. And I think one of the encouraging
 10 things, again, was that, you know, after we
 11 established a rapport and I got to know whose cell
 12 number I was calling, and what email to send
 13 information to, I think the modeling in process was
 14 an honest effort, highly analytical effort.
 15 And it did involve some analysis about,
 16 for instance, what's going to happen in the
 17 intervening years between Delta's current rate and
 18 2018 and '19.
 19 Those are factors in the market. We're
 20 averaging this over five years, and in those five
 21 years, we don't know what Delta is going to do.
 22 Why?

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1 Because they're non-union.
 2 We can take a look at history and figure
 3 it out. Also, United, Continental, even though we
 4 have a clawback that Jeff mentioned, there was some
 5 discrepancy that I think I was able to resolve with
 6 how much United is getting paid as an increase in
 7 March of this year.
 8 And, again, that had a reflection on how
 9 much United and Continental's contract would cost as
 10 applied to the market.
 11 And every time, you know, it took maybe a
 12 couple of weeks to go through these things. I felt
 13 that we had an honest exchange, and we came to the
 14 analytically best solution to any of those issues.
 15 Sometimes it benefited to lower the cost
 16 of the market. A lot of the times, it benefited the
 17 market increase.
 18 So at the end of the day, I think we
 19 started out with about a market value, which was
 20 \$37 million above the baseline.
 21 By the end of the summer, we had adjusted
 22 some things, and we were about \$56 million.

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1 When Delta gave their top tier flight
 2 attendants a 4 percent raise on September 24, we
 3 went in and did the analysis again. And that went
 4 to 61 million.
 5 And then when Delta had their improvements
 6 to training pay and training per diem and other sort
 7 of minor pieces of their contract, of their work
 8 rules, we added another million dollars to it after
 9 doing another market analysis.
 10 So we went from about 37 to 62 today.
 11 Q. Did the \$62 million annual average
 12 advantage of the comparators include Delta increases
 13 in the future?
 14 A. Yes. It did. It did.
 15 Q. And any other known increases that you
 16 expect?
 17 A. I believe the increase was about 3 percent
 18 to the base rates.
 19 Q. And so the 62 million was the net
 20 advantage of the average of Delta, United, and
 21 Continental over the 1.6 billion value that you
 22 referred to earlier?

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1 A. Right. Right.
 2 And I think one of the surprising things
 3 to anyone that -- maybe the Company felt this, too,
 4 is that, I believe as a result of bankruptcy, the
 5 spread between labor contracts is very narrow now
 6 because, of course, most major carriers, Delta
 7 United, Continental, American, US Airways have all
 8 been through bankruptcy.
 9 When you go through bankruptcy, the fight
 10 for the management team is to try and get labor
 11 costs within some reasonable proximity to average.
 12 And so I believe maybe ten years ago there
 13 was a much wider spread. I think there's something
 14 occurring now that you can see as evidence from what
 15 Delta did when we got our TA, which is there's a
 16 labor cost convergency.
 17 And I think that's a good thing for the
 18 industry in that we're not leveraging labor to make
 19 profits. You're making profits off your product,
 20 and not on the backs of your workers, which I
 21 believe has been done for the past 15 years.
 22 Q. All right. And you have heard discussion

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1 today that the stipulated market aggregate
 2 difference is 112 million.
 3 So you have mentioned the \$62 million
 4 advantage that flows from all of the different
 5 pieces of the contract except one.
 6 There is one \$50 million addition --
 7 A. Right.
 8 Q. -- to get to 112, and that was profit
 9 sharing; right?
 10 A. Correct.
 11 Q. And how did the \$112 million aggregate,
 12 market aggregate advantage that the competitor
 13 groups have compare with the value that the model
 14 spit out for the Tentative Agreement that was put
 15 out for ratification?
 16 A. The five-year average value,
 17 comprehensively, for the Tentative Agreement was
 18 \$193 million.
 19 Q. Per year?
 20 A. Per year for each of the next five years.
 21 And of course, again, the first year being
 22 less impactful than the last year. But on average,

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1 it was 193 better than the current contract.
 2 Q. And that would be simple math, \$81 million
 3 a year above the market aggregate annual figure?
 4 A. Yes.
 5 Q. All right. So could you describe briefly
 6 the effort that the Union's Negotiating Committee
 7 with your assistance went through after the TA was
 8 not approved to arrive at \$112 million proposal for
 9 purposes of the arbitration?
 10 A. Yes.
 11 I engaged with the representatives of the
 12 Negotiating Committee in the period after the TA was
 13 voted down to try and figure out ways to efficiently
 14 bring the costs down to market.
 15 There's various ways to do it.
 16 The easiest lever to pull is the wage
 17 lever. And the reason I say that is because wages
 18 represented about three-quarters of the value of the
 19 \$193 million.
 20 And, again, if you take that one line
 21 item, and, as I mentioned, there were probably 50
 22 other items, none of those other items really had

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1 the weight to reduce \$81 million a year off of the
 2 TA value of 193.
 3 I engaged with the Negotiating Committee
 4 to try and find other ways to perhaps not take it
 5 all out of wages. It became very complicated to
 6 look at some of the larger items like 401K or
 7 medical or vacation.
 8 In that part of the goal is to not have
 9 one side or the other lose something and have their
 10 value fall below what it currently is today.
 11 So after about a day or two, we quickly
 12 realized that to pull things that weren't really
 13 impactful, wages or per diem, or whatever, didn't
 14 really meet the second prong.
 15 And that when we did that, the test wasn't
 16 met, that one of the two carriers wasn't at the
 17 equal value that they were today.
 18 Q. You're referring to the second prong --
 19 A. Second prong.
 20 Q. -- in the Negotiations Protocol Agreement
 21 that requires that the outcome be more than each of
 22 the two contracts would produce under their status

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1 quo provisions?
 2 A. Yes, yes.
 3 And so looking at a wage table, one of the
 4 things that's pretty obvious to anybody who looks at
 5 the demographics of this work group is that
 6 75 percent, roughly, are at the top of scale.
 7 And so all the meat is at the top of
 8 scale. All the value is at the top of scale. So to
 9 take \$82 million out, most of it had to come from
 10 the top of scale.
 11 And the other sort of contingency here was
 12 that we were trying to ensure that none of the rates
 13 that were going to result from our proposal would be
 14 below the current rate of either US Airways or
 15 American.
 16 And if you look down at the rate table
 17 increases for the lower steps that would be Steps 1
 18 through 12, with a TA, a lot of those didn't
 19 increase by 3 or 4 percent. A lot of them increased
 20 by less than 1 percent.
 21 That's because Delta's rate was used, not
 22 American or US Airways, as the TA proposal. And so

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1 we took Delta's rate plus 3 percent. Some of the
 2 existing rates at American or US Airways was already
 3 above Delta, so we had the limited sort of
 4 parameters to work with.
 5 The bottom of the scale had two problems.
 6 Number one, there wasn't a lot of money to
 7 be made by pulling, you know, money off their pay
 8 rates.
 9 And number two, the limits -- because they
 10 didn't get that large of a pay rate in the TA --
 11 limited me and the value savings from the exercise
 12 to really looking more at the top of scale.
 13 Q. So, Dan, just to be crystal clear, when
 14 you say money to be made, you're talking about the
 15 necessity of finding a way to produce a proposal for
 16 this arbitration that would be worth \$81 million
 17 less than the TA wage table that had gone out for
 18 ratification.
 19 A. Right.
 20 Q. And in the process of producing the wage
 21 table that's contained at Exhibit -- Joint Exhibit
 22 1, you had to make adjustments across the different

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1 steps from what was in the TA; right?
 2 A. Yes.
 3 Q. And I guess I heard you say that much of
 4 the adjustment had to come at the top of the scale
 5 because that's where most of 75 percent of the
 6 flight attendants are in terms of their seniority?
 7 A. Yes. And I believe the top of scale was
 8 below Delta.
 9 So the actual rate increase at the top of
 10 scale was 9 percent for American, with a TA 12.2, I
 11 believe, for US Airways. And that was way above
 12 what the average of the other steps were.
 13 So it was easier to take money out of
 14 those steps and not violate the Committee's proposal
 15 to me, which was don't make anyone less than the
 16 existing current payments in either American's
 17 contract or US Airways' contract.
 18 And when you're looking at the math to do
 19 this kind of exercise, again, because that 75
 20 percent weight is there, pulling a penny off the
 21 rates at the top saves about a quarter of a million
 22 dollars. Pulling the penny out of any other rate

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1 saves about 10 to \$25,000 a year.
 2 So the weight is really in that top step,
 3 so that's where we had to get the money if we were
 4 going to do it through wages.
 5 Q. So anyone looking at the wage table that
 6 went out with the TA and comparing it to the wage
 7 table that's part of the Union's proposal here would
 8 see somewhat greater decrease in the top steps.
 9 Is that ...
 10 A. That's correct.
 11 Q. All right. And did you work with Patrick
 12 and the Company's team to reach a shared
 13 understanding that that model, the total package
 14 including the wage table that's contained in Exhibit
 15 1, Joint Exhibit 1 is worth \$112 million?
 16 A. Yes. And we did it when it was worth 111.
 17 We did it previously to that when the
 18 first TA was signed in September 19, that we
 19 exchanged information to make sure that we were both
 20 getting the same results.
 21 Q. But your understanding is there's
 22 agreement that that wage table together with all the

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1 other provisions comes to the \$112 million annual
 2 figure?
 3 A. Yes.
 4 MR. POLLAK: All right. That's all I have
 5 in direct.
 6 ARBITRATOR BLOCH: Any questions,
 7 Mr. Siegel?
 8 MR. SIEGEL: Just one, Dan, actually.
 9 CROSS-EXAMINATION
 10 BY MR. SIEGEL:
 11 Q. On that last one, you said your
 12 understanding there is an agreement on 1-12 with the
 13 wage scale and the proposal, you meant but for and
 14 except for the two me-too provisions and the
 15 retroactive provision, didn't you?
 16 A. The three items that are in dispute?
 17 Q. Yes.
 18 A. Yeah. We can talk about that later, I
 19 guess.
 20 Q. But, no. You said there's an agreement
 21 that your proposal equals 112 million.
 22 And I'm just clarifying that the agreement

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1 is your proposal equals 112 million, but for those
 2 disputed additions?
 3 A. If they have value or not, I'm not sure.
 4 I haven't explored that with our counsel.
 5 Q. Oh, okay. I'm not -- you made a comment
 6 in your direct, so I'm --
 7 A. Okay.
 8 MR. POLLAK: Yeah. I'll stipulate to
 9 that, Bob.
 10 MR. SIEGEL: Okay. Thank you. Yeah.
 11 MR. POLLAK: I was simply trying to
 12 clarify that we were in agreement over the value of
 13 the wage table.
 14 The other provisions, other than the ones
 15 that are in dispute.
 16 MR. SIEGEL: Thank you.
 17 All right. I have no questions.
 18 ARBITRATOR BLOCH: Anything from the
 19 Board?
 20 Thank you very much, Dan.
 21 THE WITNESS: Thanks.
 22 ARBITRATOR BLOCH: Appreciate your help.

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1 (The witness stood down.)
 2 ARBITRATOR BLOCH: And what else?
 3 MR. FREUND: And that's it for now.
 4 We will, tomorrow, give you -- which I
 5 know you are desperately waiting for the list of
 6 me-toos that are contained in the Tentative
 7 Agreement.
 8 ARBITRATOR BLOCH: I'm going to stay right
 9 here.
 10 Let's caucus for just a moment, if we
 11 could meet with counsel in our chambers.
 12 (A recess was taken.)
 13 ARBITRATOR BLOCH: I will close the record
 14 for today, and we will meet tomorrow morning at 9
 15 o'clock a.m.
 16 (Whereupon, the proceedings in the above-captioned
 17 matter recessed at 4:48 p.m. to resume at 9:00 a.m.
 18 on December 4, 2014.)
 19
 20
 21
 22

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1 CERTIFICATE OF REPORTER
 2 I, Joseph A. Inabnet, do hereby certify
 3 that the transcript of the foregoing proceedings was
 4 taken by me in Stenotype and thereafter reduced to
 5 typewriting under my supervision; that said
 6 transcript is a true record of the proceedings; that
 7 I am neither counsel for, related to, nor employed
 8 by any of the parties to the action in which these
 9 proceedings were taken; and further, that I am not a
 10 relative or employee of any attorney or counsel
 11 employed by the parties thereto, nor financially or
 12 otherwise interested in the outcome of the action.
 13
 14
 15
 16 _____
 Joseph A. Inabnet
 Court Reporter
 17
 18
 19
 20
 21
 22

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