



January 2015

Determining the value of a contract in the contemporary regional climate is highly subjective and is a metric that varies significantly from one pilot to the next. As a result, there exists a great rift of opinions with regards to regional airline agreements. Many of us at Air Wisconsin can corroborate the existence of many diverse opinions, industry wide and within our own ranks. The ratification of the recent Envoy agreement is no exception. It is not my intention, nor an appropriate forum to discuss personal opinions or any reservations concerning ratification of Envoy's latest CBA. It is, however, important to lay out the bullet points to clarify the agreement and compare it to other recent agreements. Hopefully, we can shed some light on the agreement to aid in a critical analysis of its value and scope and how that relates to our bargaining goals. While examining the following, we must keep in mind that a "one-size-fits-all" approach to the value in an agreement will not work; what is an acceptable agreement at Envoy may not be acceptable or viable for us as a group. As such, this article will discuss the most important sections of the new Envoy agreement, with emphasis on major changes from the bankruptcy agreement, which was in effect for calendar years 2013 and 2014. Moreover, it will serve to outline any parallels with other industry CBAs.

Industry-Wide Agreement Parallels

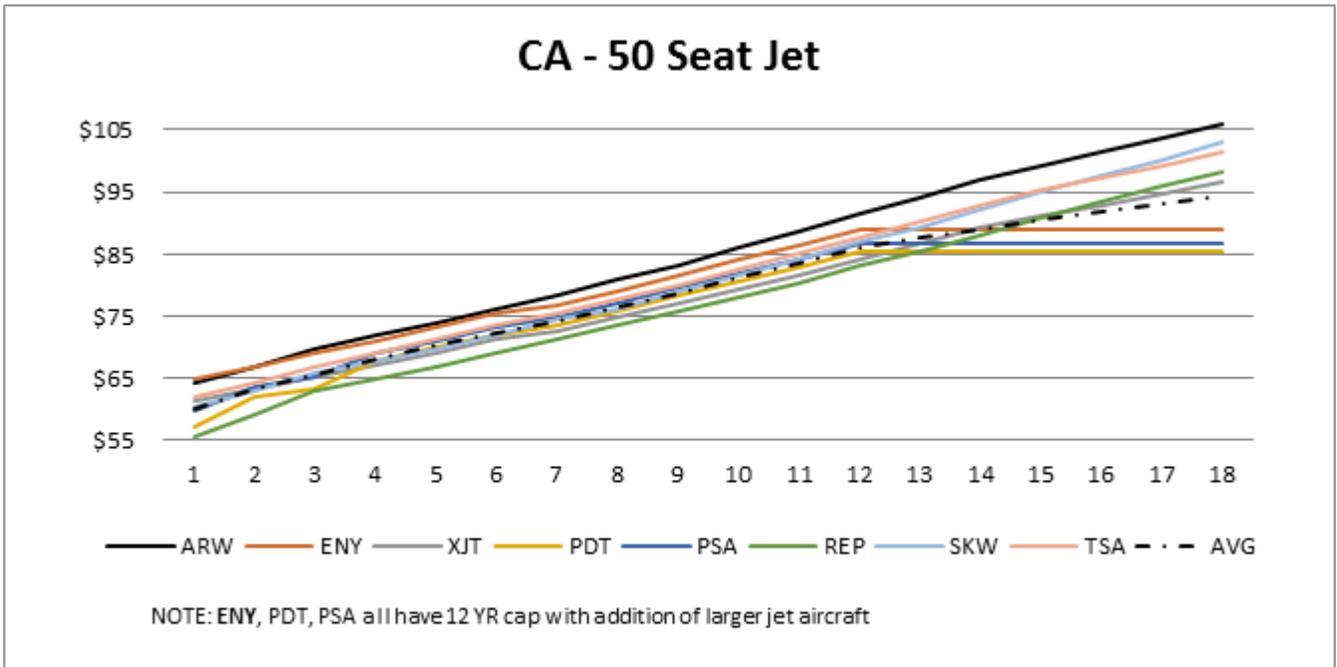
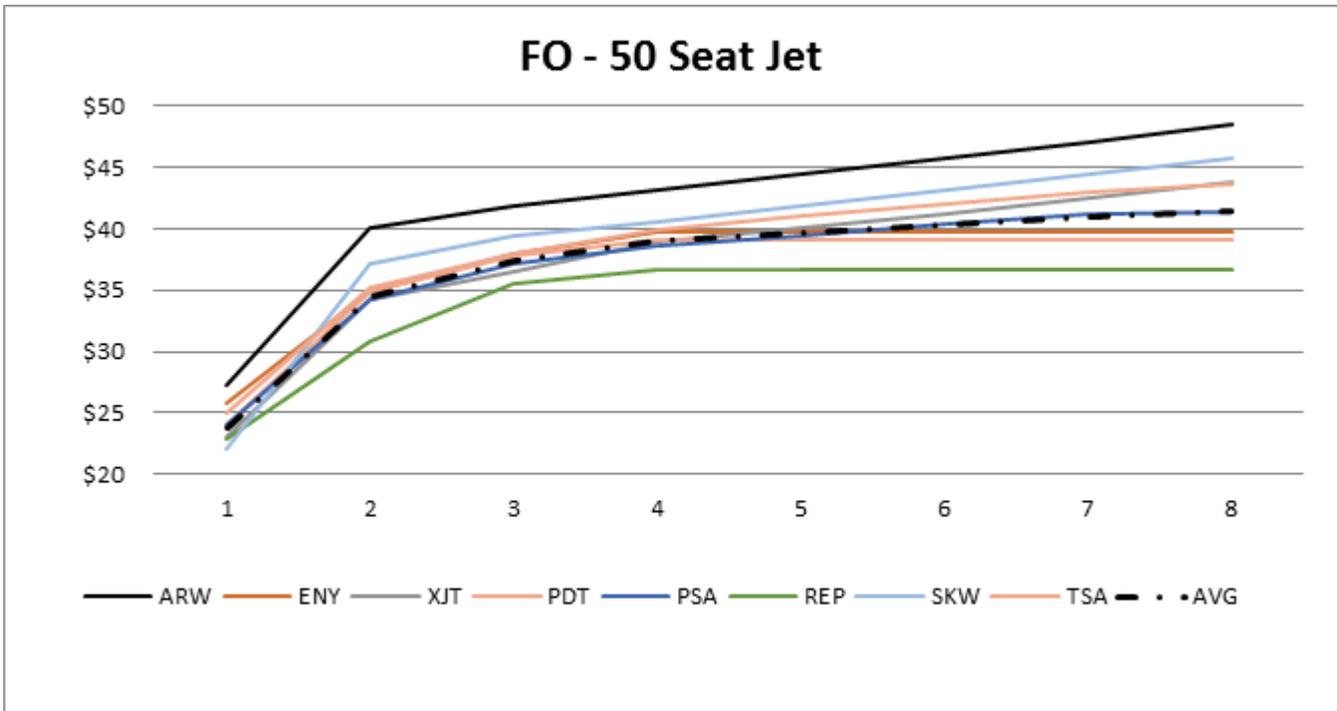
There are numerous similarities between the Piedmont and Envoy agreements; so many that one is inclined to think that the draftsmen of the two agreements are one and the same. Preliminarily, the sections in which there are stark similarities are numerous and include compensation changes in the form of pay caps, addition of new aircraft, an inclusion of a minimum fleet guarantee, a true-blue flow through process, and insurance contribution changes. All of these similarities will be discussed in greater detail below.

Compensation

Under the new contract, each Captain on the Envoy master seniority list as of date of signing and who meets the eligibility criteria will receive a \$12,500 gross lump sum payment (less taxes, withholdings, and deductions). With similar conditions, First Officers will receive \$7,500 gross lump sum payment, before taxes and other deductions. First Officers will also receive an additional \$5,000 on the earlier of January 1, 2017 (in effect a retention bonus), the date he upgrades or the date he reaches mandatory retirement age.

The current pay tables will be frozen until 12/31/2017 with a 1% yearly pay increase beginning on 1/1/2018 and continuing through 1/1/2024. There is also the elimination of Section 3.P. under the bankruptcy contract, which included an Industry Averaging Index for determining compensation.

A comparison of hourly wages across the wide swath of American Airlines Fee For Departure carriers is included below.



Envoy has mimicked Piedmont pay caps. Captains are capped at year 12 and First Officers are capped at year 4. Couple those caps with PSA and Endeavor’s compensation arrangement and a pattern emerges out of the ether. As Negotiating Chairman Mark Lockwood has previously described concerning the Piedmont agreement, “This is in exchange for career progression at each of these carriers so that pilots will have opportunities to leave their respective carrier for a mainline before hitting the caps.” The career progression that Chairman Lockwood is referring to is in the form of a flow agreement with American Airlines, which is described below. I would add that Envoy is also exchanging pay caps for some level of career protection by way of a minimum fleet commitment, which will also be discussed further.

As in both the Piedmont and the PSA contracts, Envoy has provisions to “grandfather” pilots who are above the caps, allowing certain pilots to either stay at their current longevity step or to ascend to higher pay based on

certain conditions. The grandfather provision serves to protect those who have made a career at Envoy. The grandfather provision in the Envoy contract is rather convoluted and is summarized in bullet points below:

- Those who upgrade to Captain on or after 1/1/2016 or are a Captain on any longevity pay step between steps 1 and 11 as of 1/1/2016 will be capped at longevity pay step 12 on the Captain pay scale.
- Pilots who are a Captain on longevity pay step 12 or higher as of 1/1/2016 will either be frozen at their current longevity pay step or eligible to continue to move up the Captain pay scale as determined annually based on the number of pilots who flow through to AA each year.
- If Envoy fails to flow 220 pilots to American Airlines in a given calendar year, Captains at longevity pay step 12 and higher will move to their next longevity pay step on their anniversary date.
- Upon delivery of the first EMB-175, Captains on pay step 15 or higher will not be subject to the pay cap provision.
- As for First Officers, those on the Envoy master seniority list at the date of signing will continue to move up the First Officer pay scale beyond pay step 4 unless he/she declines an upgrade to Captain in his own base. If hired after date of signing, a First Officer will be capped at pay step 4.

Section 5: Expenses Away From Domicile

There were some tweaks to Section 5 under the new Envoy agreement. Effective 1/1/2015, section 5.B.1 is replaced with the following per diem adjustment schedule:

- 1/1/2015 – \$1.85
- 1/1/2018 – \$1.90
- 1/1/2021 – \$1.95
- 1/1/2024 – \$2.00

In the bankruptcy agreement, Envoy ended at a \$1.85 hourly per diem rate in 2014. The per diem rate was slated to increase by five (\$0.05) cents effective January 1st, *each year*. This expresses a concession on the per diem section, which brings ENY closer to the PSA and PDT provisions.

Section 8 & 9: Changes to Sick Leave & Vacation

The key differences in sections 8 and 9 between Envoy's bankruptcy and new agreements are below. The new vacation accrual begins 1/1/2016 and is as follows:

Longevity	Accrual (weeks)
After 1 year of service	1
After 2 years of service	2
After 7 years of service	3
After 14 years of service	4

Pilots with 4 or more years of service may carryover up to two (2) vacation blocks of unused vacation into the following year. As for vacation pay, lineholders will receive the full value of the trips lost and reserves will be paid 3.9 hours per day. Lastly, no pilot will suffer a loss in the number of weeks of vacation that was accrued before 1/1/2016.

Pertinent sick leave changes are included below:

- Sick accrual after 90 days of service: 3.5 weeks
- Sick accrual after 5 year of service: 4.0 weeks
- The maximum accrual to the sick bank is increased to 485 hours.
- Effective with the delivery of the first EMB-175, a pilot who has accrued credit in his Supplemental Sick Leave Bank will have that Sick Leave Bank frozen

Section 28: Retirement and Insurance

R & I is yet another area that saw nearly identical changes at both Envoy and Piedmont. Section 28 sets forth increased employee contributions as a percentage of health care plan costs through 2020:

- 1/1/2016 – 31%
- 1/1/2017 – 32%
- 1/1/2018 – 33%
- 1/1/2019 – 34%
- 1/1/2020 – 35%

Under the bankruptcy agreement the company covered 70% of the costs and the employee was responsible for 30%. Of course, these ratios are not the whole story and total plan costs are an important factor, i.e., 30% of \$11,000 is different from 30% of \$200.

Section 30: Duration

Envoy's new agreement has a 10-year duration with a limited re-opener in October 2020, when up to 5 issues submitted by each side are permitted. The sum of known cost changes with respect to the issues submitted to arbitration will be cost neutral, meaning they will not cost the company any more money.

LOA 13-05: Profit Sharing Plan

Letter 13-05, covering the profit sharing plan, will be deemed null and void. It will be eliminated in its entirety from the agreement on date of signing. 2014 profit sharing payouts are slated for March 2015.

New Aircraft

As part of the new agreement, 40 EMB-175s are scheduled for delivery on a rolling basis between November 2015 and August 2017 with options for 90 total aircraft.

Flow Through

Flow through is the most pivotal part of the Envoy agreement. Of course, the Eagle/Envoy pilots maintained a four-party flow through agreement for many years prior to the new agreement. However, the new provisions are a significant enhancement over the prior agreement. The flow agreement pledges that Envoy pilots may have an opportunity for career advancement with American Airlines without an additional interview. Envoy's "true blue" flow agreement guarantees some number of slots in each American Airlines class. Pilots will be selected in seniority order for all flow opportunities. The quantity/proportion of pilots that will flow to American are based on multiple dichotomies of the pilot group. Below is a bulleted outline of the most essential elements of the flow agreement at Envoy:

824 Pilots Flow Through:

- The 824 are those pilots who were entitled to flow pursuant to a remedy awarded in an arbitration on the original Letter of Agreement.
- These pilots will occupy the lesser of 50% or 20 slots in a given month at American Airlines new hire classes.
- Effective with the delivery of the 1st EMB-175 aircraft, 824 pilots will occupy the lesser of 50% or 30 slots in a given month at American Airlines new hire classes.

Protected Pilots:

- The protected pilots are those pilots hired on or before October 11, 2011, as well as those pilots who originally rejected flowing to AA and were protected for seat/position at Eagle. Under the new agreement, all "protected pilots" are eligible to choose to flow.
- Protected pilots will occupy the lesser of 35% or 25 slots in a given month at American Airlines new hire classes.

- Effective with the delivery of the 40th EMB-175 aircraft, protected pilots will occupy the lesser of 50% or 30 slots in a given month at American Airlines new hire classes.

Pilots Hired After 10/11/2011

- Envoy Pilots will occupy the lesser of 35% or 15 slots in a given month at American Airlines new hire classes.

Pilots Hired After the Date of Signing:

- Envoy Pilots will occupy the lesser of 25% or 5 slots in a given month at American Airlines new hire classes. The base number of 5 will be increased by 1 for every 125 pilots on the master seniority list above 480.

Other important provisions relating to the Envoy flow program are:

- At Envoy's discretion, the company may waive the limitations on the maximum number of pilots who are allowed to flow through to American.
- American Airlines must be hiring in order for Envoy pilots to flow.
- Unlike other regional carriers, there is no right to return to Envoy if a pilot fails to finish training at American.
- Pilots hired by Envoy after October 11, 2011, with an active attendance or disciplinary issue are not eligible for flow through. Such a pilot may elect to have pending grievances resolved under expedited procedures.

Envoy's Flow Agreement vs. PSA Preferential Hiring Program

Preferential hiring programs, such as the program at PSA, require no similar mandatory per class proportion of its pilots flow directly to American. The PSA agreement allows wide reaching latitude to mainline as to the hiring criteria. The PSA preferential hiring program is called the SSP (Special Selection Program) and some details are below. PSA pilots who apply and satisfy the varied requirements will be granted only an interview in seniority order for a New Pilot Position as set forth below:

- Completes all application forms, paperwork or other application processes that would be required at the time by US Airways/AA of any other applicants, as those processes are amended from time to time,
- Comply with the Pilot Records Improvement Act,
- Provides PSA a signed release permitting US Airways/AA to have full access to his/her employment and training records from PSA,
- Is an active and fully qualified pilot on the PSA Pilot Seniority List at the time of the US Airways/AA application, interview, and the date he is released to his new hire class at US Airways/AA,
- Is not the subject of any active disciplinary charges,
- Must have been in his/her current position at PSA for a minimum of 12 months,
- In the sole discretion of US Airways/AA, meets all of hiring criteria and requirements in place at the time US Airways/AA makes such determination, as those criteria and requirements may be amended or altered from time to time.

Although the PSA SSP delineates a percentage of pilots must be in each American Airlines new-hire class, the agreement contains a clause that frees American from this requirement. The gist of the clause is that American may make the determination, in its sole discretion, that there are an insufficient number of "qualified" PSA pilot candidates in any given month. The existence of an insufficiency means that American has the ability to subtract the unqualified PSA candidates from the hiring requirement.

Therein lies the crucial difference between the two programs; one offers nearly guaranteed upward mobility to mainline (e.g., Envoy and Piedmont) and the other simply requires a preference be given when offering interviews (e.g., PSA). True flow through delineates a percentage of every new hire class at American must be

from the Envoy pilot group. It behooves me to point out, though, that the flow through agreement is based on American continuing to hire into the future.

Career Protection

Regional carriers that are wholly owned by its major carrier partner arguably are at greater short-term risk of losing flying and aircraft than independent regional carriers. The shutdown of Comair in 2012 is one example of this. Pilot groups of wholly owned carriers have come to recognize this issue and have moved to minimize the risk with new provisions in recently ratified agreements. Envoy, PSA, and Piedmont have all achieved closing the protection gap in the form of fleet guarantees. Called a “commitment letter” in the Envoy agreement, this agreement guarantees a minimum number of airplanes up to the amendable date of the CBA. Envoy’s agreement guarantees a minimum of 40 EMB-175 aircraft on a rolling basis between November 2015 and August 2017. In addition, if AAG exercises options for delivery of additional EMB-175 aircraft, those aircraft will reside on Envoy’s property. There are nearly identical agreements sprouting up at other wholly owned carriers.

Conclusion

The Envoy agreement has many parallels to that of other wholly owned carriers. Although this agreement provides some distinct advantages over recent agreements by other express carriers, its ratification required give and take. Throughout the flow through bargaining process, each party unquestionably must have known of the risks involved for the Envoy pilots with this arrangement. The agreement is beneficial, so long as American continues to hire indefinitely. It doesn’t take a stretch of the imagination for us all to imagine a scenario in which hiring stagnates and no flow through occurs for a protracted length of time. It is up to a pilot group as a whole to decide what value to place in particular contract provisions therein, remembering that what is apropos for one pilot group is not necessarily relevant or necessary for others. Recent flow-type bargaining provisions also serve to point out that many airline managements and pilots view the regional industry as a tacit stepping-stone to greener pastures and not a career destination. As such, we must decide what is of value to us moving forward and aggressively and inexorably pursue those values.