



United Airlines -- Dispatch Negotiations Update – September 13, 2013

Dear Co-workers,

After steady and tangible progress of coming together to deliver a competitive agreement to our Flight Dispatchers, yesterday afternoon several union committee members walked out of joint contract negotiations.

Most of you know the history of bargaining with the Dispatcher groups and the efforts to reach a joint agreement following the merger. The unions asked for considerably more than United was able to offer in a competitive cost environment, and the process was further complicated by the ongoing Pilot negotiations. However, the December 2012 ratification of the Pilot JCBA – which was modeled based on the economics of the Delta-ALPA contract – gave us the opportunity to move forward with a joint Dispatcher agreement similarly modeled on Delta economics.

Earlier this year, we presented the unions a proposal based on Delta wages and a mix of work rules from the s-UA and s-CO contracts, which was more productive than either Delta or s-UA rules. The response was not unexpected: "if you're offering Delta wages, we should only be held to Delta productivity." In other words, the union committee thought United should bear the same overall economic costs for Dispatchers as our largest competitor. The argument had some merit.

So, we approached the leaders of PAFCA and TWU with a similar, but slightly different idea: what about higher productivity and higher wages than Delta? Could we work towards agreement within such a framework, so long as the overall economics were comparable to the Delta contract? The answer we got was a conditional "yes." The Company and the Unions each reserved their rights to bargain specific terms and no binding commitments were made in the absence of a final deal, which was to include negotiation of a signing bonus ("retro pay" as characterized by the Unions). But the very clear understanding was that a truly "Delta-like" economic deal was the path the parties all agreed could lead us to a joint collective agreement.

Subsequently, we exchanged both proposals and financial analyses. There were several areas of disagreement and many open questions had to be resolved. However, the central notion that we were working towards a Delta-based economic deal remained. In addition, the union committee employed experienced financial experts to evaluate and verify that the Company's proposals were on track to share any savings from higher productivity in the form of wages that were correspondingly higher than Delta wages.

The union committee's financial experts completed their analysis this week, with the conclusion that the Company's offer was within a percentage point of the Delta contract. By contrast, the union committee's financial experts valued the Unions' proposal at nearly 11% higher than Delta. Based on these agreed-upon valuations, United asked the union committee to provide a revised proposal in line with our agreement in principle to reflect Delta economics.

On Tuesday, September 10, the union committee provided a proposal. However, contrary to our expectations, the proposal was more than 7% above Delta. Put in context, whereas United's Delta-based proposal increased our Dispatcher payroll by about 20%, the unions' Delta-plus proposal would increase the payroll by more than 30%. We were still about 10% (or \$5.5 million per year) apart in overall costs to the Company over the term of the agreement.

In an effort to keep negotiations on track, we expressed our concerns about what we saw as a new and different approach than we had earlier agreed upon. In response, certain members of the union committee disavowed their previous agreement to pursue a Delta-based economic package. Now, they claim to want a contract that attempts to predict where Delta "might" be in another year or more. (We are aware of the recently announced company-wide pay raise and vacation improvements at Delta, and we informed the Unions we were prepared to match for United Dispatchers.)

In essence, the Unions' demands went from "let's get Delta today," with protections for future industry pay adjustments or fixed annual increases – to "let's get better than Delta today" in anticipation of unknown (and unknowable) major improvements in the next Delta-PAFCA contract. We suspect this is happening as negotiations continue at Delta, as well as United, and that this is an attempt to leverage that situation.

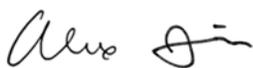
We are being transparent and sharing all this background and detail with you because we want to move forward to provide a competitive agreement that raises your pay substantially and lets us all work together as one group.

Based on what we see as bad faith bargaining, today we have informed the National Mediation Board that United is no longer willing to bargain with the joint committee of PAFCA and TWU. The path to returning to the table lies in the resolution of the representation issue, and we believe the appropriate next steps involve a single carrier determination by the NMB and subsequent determination of the representation dispute between PAFCA and TWU. We believe this is ripe for resolution, since all other unionized groups at United have completed this process. At that point, United will be prepared to bargain in good faith with the single certified representative for the entire workforce.

We truly regret it has come to this. You deserve a contract with substantial pay and benefit improvements now, as the Company has proposed. We will also provide you with a summary of the Company's proposal.

On behalf of all the NOC leadership, thank you for all your hard work and dedication. We are committed to delivering a competitive joint agreement. We appreciate your continued professionalism for the safety and service of our customers and co-workers.

This is a lot of information to digest. We will host town halls next week for anyone that would like to attend, and please feel free to talk to your supervisor, Jim or me at any time.



Alex and Jim