Welcome to the first edition of The Tech Ops Perspective, a publication for United’s Technicians and Related Employees.

We will provide factual information, objective analysis and our perspective on the competitive challenges we face, as well as updates on our joint collective bargaining agreement negotiations.

You may disagree with some of the views we share – and that’s fine. We simply hope that sharing our perspective will foster a dialogue with Technicians and Related Employees to benefit all stakeholders, including employees and their families, customers, shareholders and the communities we serve.

Thank you for taking the time to consider our perspective.

A brief history and status of contract negotiations

The separate negotiations
When the merger was announced in May 2010, technician negotiations were ongoing at both Continental Airlines and United Air Lines. Working with the National Mediation Board (NMB), Continental and the Teamsters ratified a new agreement in November 2010. While the Company proposed building on this agreement to bring the two subsidiary workgroups together under a joint contract, the Teamsters required a stand-alone agreement for s-UA technicians before starting joint negotiations. That agreement, reached towards the end of 2011, largely mirrored the s-CO contract and provided top of scale increases of over 20%, as well as restructuring of important work rules such as scope, qualifications and bid areas, and overtime.

The expedited bargaining process
In 2012, United and the Teamsters agreed to engage the NMB to assist in an expedited, facilitated, problem-solving process to accelerate negotiations through a more informal and collaborative model. We set an aggressive goal of reaching a ratified joint agreement by June 30, 2013. Over the following months, we made significant progress, working article by article to develop agreements-in-principle and contract language. In May 2013 the company made a comprehensive proposal which was rejected by the negotiating committee. Although the initial June 30 goal passed without agreement following the Teamsters negotiating committee’s rejection of the Company’s May 2013 comprehensive proposal, the NMB extended its services through two additional weeks of facilitated negotiations in September and November 2013.

The current status of negotiations
Little was accomplished in September 2013. In November 2013, the Company came prepared to finalize a joint agreement, but it appeared the Teamsters had changed their approach. Rather than working collaboratively to bridge the differences that remained, Teamster negotiators told us that any proposal we offered would be unacceptable unless it met a number of new conditions, which we considered unrealistic.

Teamsters negotiators propose to freeze CARP
One of the more challenging aspects of the November 2013 negotiations was a new demand by the Teamster negotiators to freeze the CARP pension plan and force technician participants into an undefined “new” pension plan. Combined with several other preconditions, their demands were disappointing, especially considering we offered industry-leading compensation and benefits, as well as furlough protection for all active technicians.
Competitive update

In October, United announced net income of $590 million (excluding $211 million in special charges for the third quarter of 2013). This brings United’s last twelve months (LTM) net income to $604 million (or $589 pretax income). Full year 2013 results will be announced on January 23, 2014.

While $589 million pretax income seems like a healthy return, it is not – especially compared to Delta who earned four times what we did ($2.37 billion). With LTM revenues of $37.7 billion, our LTM pretax margin (pretax profit divided by revenue) is only 1.6%. In other words, United only made 1.6 cents of pretax profit per every dollar of revenue. Delta on the other hand made over 6 cents per every dollar of revenue.

Comparing United’s pretax margin to that of our competitors and other companies shows how much we need to improve our financial performance.

While we generate the highest unit revenues (revenue per available seat mile) among major airlines, our costs are out of line with our competitors. We must improve our financial strength so we can:

- **Be a strong, stable company**: strong profitability creates career stability for our employees.
- **Invest in our people and our product**: the ability to make investments in our business comes from what we earn – strong profitability provides us with the resources we need to invest in employees and a competitive product.
- **Provide returns to our investors**: increased profitability provides shareholders with a reasonable return on their investments, so they will continue to invest in United.
- **Beat our competition**: we need to improve our profitability to better position ourselves to compete.

Providing a high-quality product in a more efficient way is crucial to building a strong airline that can provide long-term value to our shareholders, as well as long-term careers and secure retirement benefits for technicians.

For more updates on United’s negotiations visit unitednegotiations.com