

## US Airways – Delta Slot Transaction Employee Q&A

### General

#### **What was announced today?**

Today we announced a new slot transaction agreement with Delta Air Lines. The agreement, which was filed with the FAA today, is a revision to a 2009 transaction that was agreed between Delta and US Airways but never completed. It will enable both airlines to expand service and increase competition at two of the nation's key airports – LaGuardia (LGA) and Ronald Reagan Washington National (DCA).

Under the new agreement, which is subject to certain government and regulatory approvals, Delta would obtain 132 slot pairs at LGA from US Airways. US Airways would obtain 42 slot pairs from Delta at DCA, and Delta would pay US Airways \$66.5 million in cash.

In our original proposed transaction, US Airways would have obtained 42 slot pairs at DCA from Delta and Delta would have obtained 125 slot pairs from US Airways at LGA with another 15 that it would lease from us and obtain at a later date.

In addition, US Airways will also acquire from Delta in 2015 the rights to operate additional daily service at one of world's most important business destinations – Sao Paulo, Brazil (GRU). In our original proposed transaction, US Airways would also have received rights to operate service to Tokyo, Japan (NRT) from Delta. This is no longer part of the agreement. Also, to address concerns previously raised by the Department of Transportation, the agreement provides for the divestiture of up to 16 slot pairs at LGA and eight at DCA by Delta if required by the regulatory authorities.

- **DCA:** This transaction will enable US Airways to connect the nation's capital to more communities across the country.
  - Forty-two new peak-day departures at DCA will increase our daily schedule to 230 daily departures – a 20 percent increase over current service levels - when the transaction is complete.
  - We plan to fly new, daily nonstop service from DCA to at least 15 cities.
  - We plan to further increase our use of larger, dual-class mainline aircraft and soon to be dual class larger regional jets. The move will benefit customers by further increasing the number of available seats between Washington and favorite destinations without increasing congestion.
  - We anticipate adding new jobs at DCA and across the new destinations we plan to serve from DCA.
  
- **International:** US Airways will acquire from Delta in 2015 the rights to operate additional daily service to one of the world's most important business destinations: GRU. The additional rights will allow US Airways to operate up to two daily flights to GRU and continue our existing daily service to Rio de Janeiro (GIG).

- **LGA:** We will reduce our Express flights at LGA, but will maintain a significant presence there. All mainline flight levels will remain unchanged, including our popular hourly Shuttle service to BOS and DCA, as well as nonstop flights to CLT, PHL, and PIT. Even after our reductions, US Airways will be the third-largest carrier at LGA (based on peak-day departures).
  - Once the transaction is approved, US Airways will operate more than 60 peak-day departures from LGA.
  - All US Airways flights from LaGuardia will continue to operate from nine gates and parking positions in Terminal C, where travelers will have access to a new 5,000-square foot US Airways Club.
  - We plan to continue our popular hourly Shuttle service to BOS and DCA, as well as high-frequency non-stop service to PIT and our CLT and PHL hubs. Service to most if not all other routes, the vast majority operated with Express aircraft, will discontinue as a result of the transaction.
  - Approximately 300 positions at LGA with our wholly owned regional carrier, Piedmont, will be eliminated when the reduced Express flight schedule is implemented.
  - Some mainline and additional Piedmont employees who support the impacted regional service at LGA and at field stations could also be affected. However, it is too early for us to project the precise number of LGA and field station employees that will be impacted.

**Didn't we submit a modified proposal to FAA and DOT already?**

Last May the DOT and FAA rejected a modified proposal from Delta and US Airways that would transfer up to 15 total pairs of slots at LGA to AirTran, Spirit and WestJet, and five pairs of slots at DCA to JetBlue.

Last July we and Delta advised both DOT and FAA that we would not go forward with their version of the transaction. We also filed an appeal of their ruling with the D.C. Circuit Court of Appeals. With today's announcement, we are dismissing the appeal, which clears the way for DOT to consider the revised application.

**Why are we proposing an agreement that looks very much like what we originally announced in 2009 if that deal as written wasn't approved?**

The competitive landscape at LGA and DCA has changed significantly since the original 2009 proposal. New entrants and smaller carriers, including AirTran Airways, JetBlue Airways and Southwest Airlines, have gained considerable access to slots at both LGA and DCA and expanded service at these and other airports in the New York and Washington regions. Also, mergers between United Airlines and Continental Airlines and Southwest and AirTran have dramatically sharpened competition on the East Coast generally and particularly in the New York and Washington regions. In addition, to address concerns previously raised by the Department of Transportation, the agreement provides for the divestiture of up to 16 slot pairs at LGA and eight at DCA by Delta if required by the regulatory authorities. These changes, together with the transaction's exciting benefits for travelers, make this a very compelling proposal.

**What about rights to operate to Tokyo, Japan (NRT)? Why aren't those on the table anymore?**

We will no longer acquire rights to begin service to NRT from Delta. The reason for this is because since our original agreement with Delta nearly two years ago, Japan and the

U.S. have made an Open Skies agreement, which erases limits on flights and opened up a second Tokyo airport – Haneda – to U.S. service. Because of this change, we believe we will gain access to Tokyo slots on our own in the coming years and do not want to have that access as part of this agreement. With our original agreement we said any potential service to Tokyo was a number of years off and dependent on several factors. That remains true today and any future planned service of this magnitude would be contingent upon economic conditions at the time and delivery of additional wide-body aircraft.

**When will all of this happen?**

Because regulatory approval is expected to take several months, none of the movement is expected to be implemented before early next year. The exact timeline will be driven by the regulatory approval process and what is contained in the final government orders. Final implementation could take up to 18 months from now to finalize.

**How will this transaction affect US Airways employees?**

While there is still a lot of planning work to do as the transaction moves forward, the net estimated potential impact will be the elimination of approximately 300 Piedmont positions at LGA when the reduced flight schedule is implemented next year. Some mainline and additional Piedmont employees who support the impacted regional service at LGA and at field stations could also be affected.

It is too early for us to project the precise number of LGA and field station employees that will be impacted. There are too many moving parts of which the regulatory approval process is just one. The upside is that we have an incredibly long lead time. This means affected employees will have plenty of time to prepare for these changes, and we'll have plenty of time to work together on solutions and alternatives.

In DCA and at DCA destinations, we may add more Airport Customer Service employees, though it's too early to say how many. It's also too early to say what impact, if any, there will be to mainline flight crews.

**Can we survive without doing this deal?**

Yes. This transaction has always been about improving the long-term viability of our airline by making it more profitable. We would do this by acquiring assets that we can use to generate more profitability than the assets we are giving up. Bolstering our service at DCA is in line with our strategy to focus on our key airports – DCA, PHX, PHL and CLT – and our popular hourly Shuttle service between DCA, BOS and LGA. Once the transaction is complete, more than 99 percent of US Airways capacity will be to or from these key airports.

**I thought LGA was doing better economically. If that's the case, why don't we put larger aircraft there and operate as Delta plans to once this transaction is finalized?**

It's never easy, nor feasible, to change your entire network to look like someone else's, and the difference is that Delta is focusing on making New York a hub. That's not the case for US Airways. We aren't trying to turn New York into a domestic hub and international gateway because we're already invested at both PHL and CLT. We schedule aircraft in our system where we know that they'll produce the most benefits for our customers. In addition, DCA is an operation that's already contributes to our network. The proposed transaction builds on that point.

**What changes will be required to our terminal facilities at LGA and DCA to accommodate this transaction?**

At LGA, all US Airways operations will remain in our current terminal – Terminal C. We will not be operating out of both the Marine Air Terminal and Terminal D as we originally proposed. We'll operate out of nine gates and parking positions in Terminal C and our customers will have access to a new 5,000-square foot Club.

At DCA, we have requested additional gates from the Metropolitan Washington Airport Authority and are awaiting their response.

**LGA Questions**

**How much US Airways service is going to be left at LGA?**

We remain committed to New York, and will continue to operate our popular hourly Shuttle service to BOS and DCA, as well as nonstop flights to CLT, PHL and PIT. Once the transaction is complete we will operate more than 60 peak-day flights – making us the third largest carrier at LGA. This is an increase from our original plan to operate 57 peak-day departures. Our popular Shuttle service to DCA and BOS, as well as our high-frequency service between LGA, CLT, PHL and PIT will continue. Additionally, we'll be able to maintain optimal business travel schedules by providing our customers with more service during the peak afternoon time periods to our CLT and PHL hubs.

**Where will we be canceling flights to/from LGA?**

We will be discontinuing service from LGA to most if not all routes with the exception of our CLT and PHL hubs, our Shuttle routes of BOS and DCA plus PIT.

**Will US employees at LGA be offered jobs at Delta?**

Unfortunately, Delta had informed us that they do not intend to recruit or offer preferential hiring to current US Airways employees. However, as we always do with furlough actions, we'll treat our people fairly and do all we can to assist them through this transition.

Mainline and Express employees at LGA, in particular, have done a tremendous job of running the operation under an overhang of uncertainty since we announced the original proposed slot transaction nearly two years ago. We recognize that and appreciate it.

**DCA Questions**

**We've heard about LGA, so what happens at DCA?**

At DCA we're adding 42 new peak-day departures, significantly expanding options for travelers flying in/out of our nation's capital. This includes adding at least 15 new daily destinations to our DCA schedule.

In addition, Washington, D.C. flyers will have more options because we'll be increasing our use of larger, dual-class mainline aircraft and larger regional jets at DCA. This will increase the number of available seats between DCA and favorite destinations without increasing congestion. It also will allow more travelers to connect to more destinations through DCA. When all is said and done, US Airways will operate 230 peak-day departures at DCA.

To manage this increase in service, we anticipate creating new jobs at DCA and across the new destinations we plan to serve from DCA. It's too early to tell how many jobs could be created as a result of the transaction.

**What new routes will we be adding at DCA?**

It's too early to communicate exactly which routes we'll add at DCA, but we plan to add service to small, medium and large communities, several of which currently have no service to any Washington-area airport.

# # #