



March 26, 2008

In the March 4, 2008 issue of the source, we answered twelve questions about a potential merger. These questions are a continuation of that list.

Merger: Questions & Answers

The following questions and answers regarding mergers have been researched by AFA-CWA attorneys. As additional information is gathered, it will be reported in hotline messages, on Union bulletin boards, and on Local and MEC websites. Archived Q&As will be listed on the "Q&A" page of our website, nwaafa.org.

Question 13: *What will happen to our 401(k) plan, stock, health insurance and life insurance?*

Answer: First, we would have to know the details of a specific merger transaction with Delta or another merger partner to be able to respond with specifics. Our existing 401(k) funds would not be jeopardized. The two potential scenarios are that either our NWA 401(k) would continue as a separate plan or, if we were to go over to Delta's 401(k), for example, our funds could be rolled over into their plan. The terms of the two plans are different: our NWA plan has a higher employer direct contribution (between 3% and 6% based on the sum of the Flight Attendant's age and years of vesting service). At Delta, the company direct contribution is smaller at 2% for all plan participants, with a matching contribution of up to 5%. Of course, to take full advantage of the match, Delta flight attendants must contribute a larger percentage of their income.

Stock, health insurance, life insurance and other benefits granted pursuant to our collective bargaining agreement will hinge on our ability to retain our union and our contract. If we lose the Delta election, or the election for the combined Northwest and Delta Flight Attendant workforce, then our contract will be rendered null and void. Any benefits, like insurance, that exist only because of our contract, could be revoked by management if we end up without a union. This is just another reason why we need to be unified in fighting to retain our union and protect our contract so we will have the opportunity to negotiate better terms with the merged airline.

Question 14: *Is it true ALPA is already working behind the scenes on a combined contract and seniority integration? What does that mean for us? Will we have the same opportunity if Delta votes in AFA?*

Answer: We can assume the media reports are true that the pilots at both Delta and Northwest have had talks about seniority and contract issues raised by a potential merger.

While we have met with NWA management, Delta management refuses to discuss merger issues with the Flight Attendants because Delta Flight Attendants have no union. Management is betting on Delta's ability to defeat the union in the current representation election (AFA filed an election request February 14 for the Delta Flight Attendants). If they defeat the Delta Flight Attendants in that first election, their plan is to defeat us again when there's a representation vote for the combined workforce if a merger takes place. Management is entirely focused on defeating the union and eliminating our contract so they won't have to negotiate with us like they are required to negotiate with ALPA. We should be just as focused, first on winning the Delta election and, if that doesn't work, then on winning when there's a representation vote for the combined workforce when the merger takes place. If we can't win one of those elections, management knows our representation rights and our contract will be lost.

Question 15: *How long will it take to completely merge the two companies once an agreement is reached and how long could antitrust and other*

lawsuits prevent Northwest and Delta from merging?

Answer: The merger process isn't over when there's a handshake and an agreement in principle. Once a deal is announced, federal regulatory approval, including anti-trust clearance, is likely to take six to nine months. Assuming the deal is approved by the government, the actual operational merger of the two airlines could take much longer: a year, two years, even more.

In a merger scenario, AFA-CWA normally negotiates a transition agreement to account for how the flight attendant operation will be run during the period between the approval of the merger and the eventual operational integration. This helps to smooth out that process, and it gives the negotiators time to grapple with the difficult issues involved in negotiating a single contract covering the entire combined workforce. Under our AFA-CWA Constitution and Bylaws we also work through the seniority integration process during this transition, but we do not provide the merged seniority list to management for implementation until agreement is reached on the whole contract. That prevents management from forcing us to operate under terms that were not negotiated, and it gives executives an incentive to negotiate those terms with us so they can get on with integrating operations.

Question 16: What will really happen to my defined benefit pension plan if there's a merger?

Answer: (AFA-CWA Senior Benefits Attorney Mary Lou Savage attended the February 22 MSP Council 95 Town Hall meeting where many pension questions like this were raised. Her answer to this pension question and related issues follows.)

The Employee Retirement Income Security Act of 1974 (ERISA), a federal statute, protects pension benefits once the benefit is "accrued" under the terms of the plan. All Northwest flight attendants who have an accrued benefit under the Defined Benefit Pension Plan (DB Plan) will be paid that benefit by Northwest Airlines, its successor in interest in the case of a merger, or the Pension Benefit Guarantee Corporation (PBGC) in the event the DB Plan is ever terminated and its administration turned over to the PBGC.

All flight attendants can be better prepared for whatever merger announcement is made by staying informed about our rights and sticking together.

The last event is highly unlikely to occur outside of another bankruptcy. And, even if it were to happen, your pension benefit is protected and will be paid to you by the PBGC. Payments of the pension benefit by the PBGC are limited only by the guarantee limits on monthly payments mandated by ERISA. The benefit payments under the DB Plan are unlikely to be affected by the guarantee limits so you will be paid your full pension benefit by the PBGC in the highly unlikely event the DB Plan has a distress termination at any time in the future.

In the event of a merger or acquisition, another bankruptcy, or the loss of union representation, each flight attendant's accrued benefit

remains as it was on the date the DB Plan was frozen. Under the DB Plan, the benefit is accrued at the rate of \$65.00 per year of service up to the pension freeze date of September 30, 2006. (To review your pension benefit, log into RADAR under Pay & Benefits at https://home.nwapeople.nwa.com/Human_Resources/Retirement/rdr_pensions.htm.)

The Delta flight attendants pension plan is frozen too, and no longer accruing benefits. Even if there's a merger we won't suddenly be put under their plan, nor will benefits under our NWA Plan be subjected to limits and restrictions the Delta flight attendants have in their plan, like their Social Security offset. Our Plan is separate from theirs and will remain so, by law. While those frozen benefits won't change, if we merge with the Delta flight attendants, we may share future retirement benefits. If we're union members when that happens we'll have the opportunity to negotiate those benefits. If we're non-union, Delta executives will decide what those benefits should be.

Question 17: Is the deal with Delta dead?

Answer: No. Mergers and acquisitions of this magnitude and expense often go through a series of ups and downs before finally coming together. The economic conditions that made the merger attractive to both airlines still point toward a merger; in some ways those factors are more compelling now than ever. With oil over \$100 per barrel, airlines are looking at ways to cut other costs and become more efficient, and one way to achieve those economies is through a large-scale merger. At the same time, with airline stocks reaching new lows almost every day, a merger or other stock deal becomes more affordable to a potential buyer.

Delta executives are under tremendous pressure from investors to take steps to improve the value of Delta stock after rejecting a buyout proposal from US Airways that would have paid roughly \$9.7 billion for Delta. Today, Delta's stock value is a mere \$3.8 billion. Delta investors are understandably anxious for a new deal that would earn them something more like the value Delta executives turned their backs on in the US Airways deal. To even the casual observer it should be clear that those kinds of numbers are an enormous driving force, and likely will not allow these airline executives to rest until a deal is done.

If Delta cannot get a deal worked out, some other airline will. The entire industry is under the same economic pressure. Even executives at Southwest, who have historically been inactive in the merger arena, have said they have an eye on potential deals. So, the only real questions are, "When it will happen and who will it be?" Those questions could be answered today, next week, next month; even six months from now.

Question 18: What are we doing during this lull?

Answer: AFA-CWA has been through many mergers over the years and is prepared to respond to any announcement. Staff attorneys and your MEC leaders have been monitoring developments as they relate to our merger strategy. We have to stay focused like this because our contract, our union and our careers are at stake.

As we've stated previously, we will only support a merger that improves upon our current collective bargaining agreement, protects flight attendant jobs, secures our future in this industry and provides an equity stake in the merged airline.

In any merger, acquisition, successor transaction or related agreement, Northwest management must comply with contractual provisions in Section 1 (Recognition, Scope and Job Security). Although the merger hype has quieted for now, that doesn't mean we can let our guard down.

All flight attendants can be better prepared for whatever merger announcement is made by staying informed about our rights and sticking together. It is frustrating to have to wait for the other shoe to drop, but if we agree to protect our contract and lis-

ten only to the facts, we will be a powerful, unified group going forward.

Question 19: Has anything been discussed regarding changes in retiree pass privileges after a merger takes place?

Answer: There have not been any discussions with management about issues like this yet. As we've said before, management has refused to include us and many other unions so far, because we do not represent both Northwest and Delta employees. ALPA has been negotiating with management because it represents both Northwest and Delta pilots. If there is a merger, passes will be a topic for discussion, but we'll only have the opportunity to negotiate if the Delta flight attendants vote for our union, or if we all vote to keep AFA-CWA for the combined workforce at the time of a merger. Without a union to fight for things like this, Delta management would be free to do as they wish with pass privileges.

Question 20: What will happen to our sick hours if there is a merger?

Answer: It all depends on whether we keep our union and our contract after a merger. If the Delta flight attendants vote for the union, or if the combined Delta-Northwest flight attendant workforce votes for the union, then our contract will remain in place until we negotiate a new contract covering the combined workforce. During those negotiations our separate sick leave systems would remain in place, and we would, of course, fight to include, protect and improve upon our sick bank and other workrules.

If the Delta flight attendants don't join the union, or we don't vote for the union for the combined workforce at the time of the merger, then we will have no contract and no union. Delta executives would be likely to put all Northwest flight attendants under Delta workrules that are less costly than ours. (The Delta policy manual can be viewed on our website.) When it comes to sick leave, that means the Delta system – with its limited hours and miniscule carryover from year to year.

If we lose our union, we lose our contract including our sick leave.

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Got questions? Get answers!

AFA-CWA leaders want to know what's on your mind. Now, **questions@nwaafa.org** is the best way to get accurate answers to the merger questions everyone's talking about. We will feature two questions per week, which will appear in a special Merger Q & A email. If the facts are important to you, send us your questions today. We'll use the most common and most illuminating questions to help everyone comprehend the issues surrounding a potential merger. Call **888-3NWA-AFA** for weekly hotline updates.

Brace for IMPACT!



The MEC Member Engagement Committee has launched a new team of member advocates,

IMPACT (Informed Membership Participation & Activism Communications Team).

IMPACT Leaders will serve as informed member advocates while flying the line. **IMPACT** Leaders will provide current and factual information to the membership and deliver feedback from the members to the Member Engagement Committee.

This input will then be passed to officers or committees in order to keep a finger on the pulse of the membership and address questions and concerns. Nothing can replace one-on-one, member-to-member communications. **IMPACT** Leaders will be assigned ten fellow Flight Attendants to call and keep informed as part of a system-wide phone tree. As an **IMPACT** Leader, you are the conduit through which this dialogue between the members and officers is maintained.

We will be providing **IMPACT** Leaders with brightly colored bag tags and lanyards that will identify them to members as informed member advocates. In our communications, Flight Attendants will be advised that they are welcome to approach an **IMPACT** Leader to ask questions, receive information and offer feedback.

If you are interested in becoming a member of **IMPACT**, please contact our Member Engagement Committee:

IMPACT@nwaafa.org
866-795-4AFA (press option 4)