

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS



March 23, 2017

## ATSG Board of Directors

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Chairman of the Board Randy Rademacher, ATSG Board of Directors and Executive Officers:

It has been four months since the ABX pilot strike. The litigation in federal court was resolved on February 23, 2017.

After hearing CEO Joe Hete's conference call on March 7, I believe it would be helpful for the Board and ATSG management to understand the sequence of events leading up to the strike. Mr. Hete stated, *"We did not expect the Teamsters' Union leaders would use a minor dispute over pilot scheduling to justify a two-day walkout."*

The actions of ATSG management and the sequence of events that led up to the strike are as follows:

By the autumn of 2015, there were clear indications that ABX Air was going to be significantly understaffed for fourth quarter flying. This situation was brought to the attention of ABX Air and ATSG management. After much debate and overcoming significant management resistance, it was agreed that a very limited recall of six crew members would take place. Management, however, elected to delay the training until late in the fourth quarter and not completing it until the first quarter of 2016. Nonetheless, the pilots of ABX stepped up and met the challenge of the fourth quarter staffing shortfall in 2015, which included the test period for the Amazon flying, just as they had in the fourth quarter of 2014. The rapid increase of D6 days, days where crew members receive additional compensatory time off AND are paid a premium for being involuntarily required to fly on a day off, foreshadowed an eminent train wreck if management did not take immediate action at the beginning of 2016.

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Senior ABX management was so concerned about staffing levels they made a proposal to the union that a recall of all furloughed crew members would be initiated if the union agreed to allow those recalled to be paid at a third- or fourth-year pay scale versus the twelve-year scale the contract provided for them. They stated this was a plan to which ATSG would be amenable. For obvious reasons, this was unacceptable to the union. ABX management was also inhibited from recalling additional furloughed crew members because it would require recalling several more crew members that were working at ATI at the time, and ATSG management would not allow this. In the end only eight crew members were recalled, and only to fulfill a 2012 letter of agreement. However, I specifically informed Mr. Hete that based on the data they provided we were still going to be eighteen people short (nine crews). This was pre-Amazon contract staffing levels.

Rather than offering employment to our fellow furloughed employees, in a misguided attempt to save a few dollars Mr. Hete held true to the plan he had held for years. When the contractual recall rights of the remainder of the furloughed ABX pilots expired, management developed their plan to hire new pilots. Even though ABX was well behind in staffing and the expiration date of the furloughed pilots recall rights was known for years, management did not even begin the interviewing process for hiring until late February and did not hire until April of 2016. By then the staffing levels were even further overwhelmed by the announcement of the Amazon contract. By June 2016, management was so far behind the power curve that the airline was only able to operate by forcing its entire crew force to work on a significant number of their days off. This precipitated a majority of our pilots amassing a large number of D6 days. In response to crew members' complaints regarding excessive emergency assignments and their lack of time off, I advised the crew members of their rights under the contract and the provisions that pertained to achieving their contractual time off given the situation the pilots had been put in by managements' inadequate staffing plan.

By the end of August 2016, ABX management realized they were in serious trouble. A series of meetings took place between ABX management and the union. In each of these meetings, management asked for help regarding the accumulation and utilization of D6 days. I repeatedly told management that the union was willing to address their concerns provided management was willing to address concerns of the pilots regarding scope and ABX's future under the ATSG umbrella. All of our ideas and offers were rejected, and at no time did management bother to make a proposal of their own or offer any ideas to address the crisis other than that crew members should be willing to voluntarily fly on days off and sell back their vacations.

I was in Miami attending a cargo conference on October 11, 2016. Also in attendance was CEO Joe Hete. Joe and I met briefly and discussed the D6 issue. I indicated that we were willing to work with management to mitigate the crisis, and also communicated the severity of the problem. He seemed to be unaware that the problem would continue well into 2017 and that it was not just a fourth quarter issue. The following week while flying a trip, I was notified by Bob Boja that Joe Hete wanted me to return for a meeting in order to "fix" the D6 problem.

That meeting was held in Columbus, Ohio on October 19, 2016. The union's legal counsel, Lynne Nowel, and I attended on behalf of the union. Management attending included Vice President of Operation Bob Boja, retired Vice President Bob Gray, Ford and Harrison attorney Andy McClintok, and ABX President John Starkovich (telephonically). In that meeting, management focused on the issue of the pilots not bidding overtime and not selling back vacations. They made no formal proposal to resolve the issue and the meeting's sole purpose appeared to be setting us up for future legal action. At the

end of October, management threatened judicial action and began violating our current collective bargaining agreement on numerous fronts.

On October 29, ABX President John Starkovich indicated that if we did not provide them with relief, with no consideration for our efforts, they would need to tell their customers that they could not cover the fourth quarter flying. Rather than working with the union or offering solutions to resolve these issues, management filed a complaint in federal court in order to compel pilots to bid open time and sell back vacation. This issue was previously litigated in the courts and resolved in the union's favor at the appellate level. In addition, the 2010 collective bargaining agreement was strengthened with unequivocal language, covering our right to bid or not bid open time.

On November 6, I proposed the union's last, best offer to avert the crisis. The solution would have resolved the D6 issue in exchange for the assignment of one airframe. ABX management responded in a positive manner and agreed to discuss it with Joe Hete. The following morning, to my disappointment and surprise, I was informed that not only were they rejecting my proposed solution in its entirety, but that all future flying for ABX Air was at risk and that we could not count on any additional airframes going to ABX Air, including all additional Amazon airframes. Joe Hete's rejection of this solution and his attempt at, once again, whipsawing the pilots of ATSG was a message I received loud and clear.

Management continued to violate the current collective bargaining agreement in numerous areas and then tried to bargain back the return of the stolen items with us. The fixation on not recalling senior pilots, that went all the way to the top of ATSG management and had already cost the shareholders millions in additional payroll over the last few years, had led this company to this precipice.

On November 10, I sent the crew members a copy of a footnote in our court filing in response to the company's lawsuit.

*4 Indeed, the only potentially "major dispute" related to the present action is one that is not yet before the Court – and it involves the actions by the Company to make unilateral changes in terms and conditions, not any action by the Union or pilots. In recent weeks, the Company has unilaterally changed the application of D6 restoration days off, claiming that the pilots do not have an unrestricted right to schedule those days despite the clear contract language giving them the discretion to do so, and refusing to allow them to select their replacement days off. The Company also is not making sufficient vacation weeks available for the crewmembers, refusing to schedule their vacation time and attempting to force them to sell it back. These changes were made unilaterally and without justification under the CBA and, in the Union's view, violate the status quo requirements of the RLA.*

*The Company's actions in changing clear and unequivocal scheduling and staffing protections specifically afforded to the pilots under the parties' contract may constitute a major dispute. However, the issue of whether ABX's conduct constitutes a violation of the RLA's status quo requirements is not before the Court at this time, as the Union has sought to remedy the Company's actions through direct discussions with the Company before taking any other action.*

*The Union may conclude at some future date that the Company's refusal to date to address and resolve those matters does constitute a RLA major dispute involving the Company's violation of its RLA status quo obligations. If it does, the Union will, at that time, take appropriate steps to remedy the situation, which may include litigation seeking injunctive*

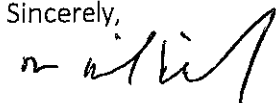
relief or perhaps even a strike to restore the status quo. "It has been held that if the [carrier] violates the status quo during a major dispute by altering the pay, rules or working conditions, the union may strike immediately before exhausting the conciliation steps." *CSX Transportation, Inc. v. Marquar*, 980 F.2d 359, 361, n.2 (6th Cir. 1992), citing *Detroit & T.S.L.R. v. United Transportation Union*, 396 U.S. 142, 154 (1969). However, at this time there is no live, ripe controversy before the Court that would vest it with jurisdiction.

The union representatives met with management on November 18 for the purpose of resolving the status quo violations. I made it very clear to management we needed a resolution with a deadline of 5:00 p.m. on November 21. Having been rebuffed at every turn, with nary a proposal from management other than threats to withhold all future flying, management's terse refusal to return to the status quo resulted in my final decision to initiate the status quo strike.

In the early morning hours of November 22, management could have ended the strike by simply agreeing to award D6 days exactly as they had done over a six-year time period, up until October 31, 2016.

I am convinced that management's poor decision making and unproductive actions were caused by the belief that whipsawing one pilot group against another would bear fruit. The results were and are anything but productive. Continuing to endorse the whipsaw philosophy undermines our common purpose and will not further the interests of our customers or shareholders. The days of internal fighting and counterproductive policies representative of rival divisions more interested in self-preservation at the expense of the entire corporation must stop. The time has come for ATSG to have all of its pilots and airline employees pulling on the same rope in order to better serve our customers and benefit the shareholders. The union currently has a single carrier filing with the National Mediation Board. I urge the ATSG Board of Directors to consider endorsing our filing so we can move forward as one team with a common purpose.

Sincerely,



Rick Ziebarth  
ABX Executive Council Chairman  
Airline Professionals Association, Teamsters Local 1224