

# US Airways Action Plan

## General FAQs

### Announcement Highlights (What's Changing)

#### **1. What was announced today?**

Major changes and initiatives announced today include:

- Reducing fourth quarter mainline domestic capacity by six to eight percent on a year-over-year basis.
- Returning 10 mainline aircraft in 2008 and 2009, canceling the leases of two Airbus A330-200 aircraft that were scheduled for delivery in 2009, and planning to reduce additional aircraft in 2009 and 2010.
- Decreasing staffing levels by approximately 1,700 employees across our system as a result of the reduced flying.
- Introducing a new in-flight beverage purchase program.
- Introducing a first-checked-bag service fee of \$15.
- Amending our Dividend Miles frequent flyer program.
- Increasing the amounts charged for parent and guest travel; employees will still travel free of charge and also be exempt from first and second bag fees.

#### **2. We figured something was coming given the actions all of the other airlines have announced recently. Are all these changes strictly related to fuel?**

Yes, fuel is the primary driver, although a softening U.S. economy has also contributed to the financial situation facing all U.S. airlines. High fuel costs are the new reality and we can't sit by and wait for fuel prices to decline. We have to build an airline that can be successful in this new and challenging environment.

Fuel costs work against the entire airline industry and we're no exception. Of note:

- The cost of fuel has increased 83 percent over the last 12 months (and more than 200 percent over the past five years).
- We estimate our total annual fuel expense (mainline and Express) will be \$1.9 billion more in 2008 than it was in 2007 when the airline reported a net profit of \$427 million.
- At current fuel prices, we'll spend an average of \$299 in fuel costs alone to carry one mainline passenger on a roundtrip journey, which is up from an average of \$151 in 2007. Compared to figures from 2000, the increase is up 327 percent, from \$70.
- This year, fuel represents 39 percent of our total consolidated (mainline and Express) expenses; in 2000, that number was just 14 percent.

### Business Model Transformation

#### **3. We talk about 'pay for what you choose and use,' but isn't that just a fancy way to put more fees on our customers?**

The term 'pay for what you choose and use' perhaps best describes the direction we're continuing to take. We started this new direction back in 2003 with Buy on Board food service at America West. Granted, it's now going into some new areas but one lost detail in all of this is that we're all facing change and maybe the biggest change of all is the

new reality of the cost of fuel. Sitting back and doing nothing is not the answer. Taking action and changing our business model to adapt to this new environment so that we're here for the long run is the only responsible thing to do.

With that, rather than offer services to all customers for free, we're unbundling our services and charging fees to those customers who want them. This is not a new idea. This kind of model has been the norm in the hotel industry for many years, such as charges for mini-fridge items, laundry services, baggage storage, late checkout, etc.

## **Reduced Flying**

### **4. How much are we reducing our capacity?**

We're reducing our fourth quarter mainline domestic capacity by six to eight percent on a year-over-year basis.

### **5. What about next year?**

Domestic mainline capacity for 2009 is planned to be reduced seven to nine percent from 2008 levels.

	<b>Available Seat Miles Year-Over-Year Change</b>				
	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>FY08</b>	<b>FY09</b>
Domestic	-1% to -3%	-0% to -2%	-6% to -8%	-3% to -5%	-7% to -9%
International	+6% to +8%	-0% to -2%	+4% to +6%	+3% to +5%	+6% to +8%
Total Mainline	-1% to +1%	-0% to -2%	-4% to -6%	-1% to -3%	-4% to -6%
Express	+7% to +9%	+9% to +11%	-1% to +1%	+4% to +6%	+0% to +2%
Total System	+0% to +2%	+0% to +2%	-3% to -5%	-0% to -2%	-3% to -5%

### **6. To achieve this capacity reduction, what's happening to our fleet?**

We're returning 10 additional mainline aircraft in 2008 and 2009 (six 737-300s and four A320s). We're also cancelling the lease of two used A330-200 aircraft that were supposed to be delivered in 2009. We're also planning to reduce additional aircraft in 2009 and 2010. We still, however, plan to accept delivery of our first of 15 new A330-200s in May 2009.

### **7. When do these aircraft go out of the fleet?**

The six 737s will be returned by the end of 2008. The four A320s go out in the first half of 2009. The other two A330s aren't here yet and as a result of terminating the leases, they simply won't be delivered (they were scheduled for delivery in the second quarter of 2009).

### **8. Will we still take delivery of the new Airbus aircraft that were on order to replace older 737s?**

We're planning to reduce additional aircraft in 2009 and 2010. We'll have to balance the need to conserve cash (even leased aircraft require pre-delivery deposits, or PDPs, and those utilize cash) with the need to ensure we're investing in the right products for the long-term for US Airways. We don't want to wake up in a year or two only to realize we have built a successful airline in this new and challenging environment but our fleet is light years behind our competitors with respect to efficiency.

## **Las Vegas Reduction**

### **9. What cuts are happening in LAS?**

Effective Sept. 3, our LAS night operation will be closed, except for limited night service to the East Coast. Overall, daily departures from LAS—which were as high as 141 during September 2007—will drop to 81 on Sept. 3. The total number of destinations served by our LAS operation will decline by 24 from 55 during Sept. 2007 to 31 in Sept. 2008. Daily departures will drop further to approximately 74 by the end of 2008 as aircraft are retired from the fleet.

Here's a list of market exits at LAS when comparing Sept. 2007 to Sept. 2008:

Albuquerque	El Paso	Ontario
Atlanta	Eugene	Palm Springs
Austin	Newark	Reno
Bakersfield	Merced	San Antonio
Burbank	Medford	Salt Lake City
Cedar City	Monterey	Tucson
Cleveland	Oakland	Visalia
Colorado Springs	Oklahoma City	Yuma

### **10. Why is Vegas downsizing so much?**

Historically, both pre-merger America West and today's US Airways have operated an extensive late night operation in LAS. However, due to the high cost of fuel, the revenue generated from the Las Vegas night operation no longer exceeds the incremental cost of that flying. As a result, we will park those planes overnight, as we do for the majority of our fleet in other markets.

Simply put, what used to be profitable flying at night to/from LAS to other markets is no longer profitable.

### **11. So the decrease in service then drives the headcount reduction in LAS?**

Unfortunately, yes. The decrease in our operation in LAS will result in the reduction of approximately 600 full and part time fleet and customer service positions at our LAS station. We anticipate handling the reduced headcount requirements through attrition this summer.

Company leadership will be in LAS, as well as out across the entire system, today and in the upcoming weeks to help answer questions.

### **12. Will there be furloughs if attrition doesn't work?**

If necessary, yes. And furloughs would follow the summer travel season and would be voluntary leaves of absence as permitted by our respective labor contracts.

## **Furloughs Beyond LAS**

**13. With all the capacity and fleet reduction, will there be more headcount reductions in addition to LAS?**

Again, the unfortunate answer is yes. The reduced flying will require approximately 1,700 fewer positions across the airline's system. In addition to the approximately 600 Las Vegas airport staff, we will be reducing staff levels by approximately 400 flight attendants, 300 pilots and an additional 200 airport positions throughout the system. We're also eliminating 200 staff and management positions.

<b>Breakdown of approximate reductions by workgroup</b>					
Pilots	Flight Attendants	LAS Airport	Other Airport	Management/Staff	Total
300	400	600	200	200	1,700

For front line employees, the staffing reduction is expected to be handled through attrition throughout the summer. Any necessary furloughs following the summer travel season will be offset by voluntary leaves of absence as permitted by the respective labor contracts.

**14. What are the numbers for pilot reductions on the East and West payrolls? How about Flight attendants?**

We plan reductions of 175 pilots on the West and 125 on the East. The West number is higher because it includes about 100 excess pilots currently on the West payroll. For flight attendants, the total number is about 400, and the mix of East versus West will be approximately even. In any event, we are working to provide voluntary options for reducing the pilot and flight attendant workforce and to minimize involuntary layoffs where we can.

**15. What about buyouts or leaves of absence?**

Again, any necessary reductions after the summer travel season will be offset by voluntary leaves of absence as permitted by our respective labor contracts prior to any involuntary furloughs. More specific information for each workgroup will be communicated as needed in the months ahead.

**Other Cost Savings**

**16. What other steps are we taking to reduce costs?**

We're closing two of our airport Clubs (BWI and RDU) effective Aug. 6 and we're also closing arrival lounges in Munich, Rome and Zurich. We are closing cargo handling offices at three stations: BUR, COS and RNO. We also revised wholesale programs for cruise lines, tour operators and consolidators, which in essence decreases the discounts we provide to certain third-party selling agents. Lastly, we've taken another \$100 million out of expenses in the back half of the year by leaving support positions open, and deferring some planned expenditures, but neither of these affect our RCA initiatives.

**Revenue Growth and Fee Initiatives**

**First Bag**

**17. What is the new baggage policy?**

Like American and United Airlines recently announced, we'll also begin assessing a \$15 service fee for a first-checked-bag. The fee applies to bookings made on or after July 9, 2008 for travel that occurs on or after July 9, 2008. Travelers who purchase tickets before July 9 are exempt from the policy change.

The policy applies to all flights within the U.S., to and from Canada, Latin America and the Caribbean.

**18. How many customers will this affect?**

Approximately 67 percent of our customers check at least one bag and we expect about 10 percent of our checked bags to be exempt. Every checked bag drives our operating costs higher through fuel, labor, equipment, screening costs, etc. This fee will help offset that increased cost.

**19. What exemptions are there to the \$15 fee for a first-checked-bag?**

The \$15 first-checked-bag fee does not apply to the following:

- Customers booked in First or Envoy Class at the time of check-in
- All Dividend Miles Preferred members (Silver, Gold, Platinum and Chairman's Preferred)
- Star Alliance Silver and Gold status members
- Customers flying to trans-Atlantic and codeshare trans-Pacific destinations
- Active military personnel with ID and government issued travel orders
- Unaccompanied minors
- Passengers checking assistive devices
- Employees and dependents

**20. Are non-revs exempt? What about employees and dependents and OAL non-revs?**

Employees and dependents are exempt from the first and second bag fees, unless they are traveling on a guest pass. OAL non-revs are not exempt. The current policy, which waives excess and overweight baggage fees for employees and dependents, will remain in place. Employees and their dependents will not be charged for additional baggage.

**21. How will this affect staffing?**

We're planning to place additional people in the airports on an as-needed basis. Initially monitoring the ticket counters and helping people prepare to pay the fee as they approach the check-in kiosk and counter will be the focus. We'll also place employees at high-volume airport security lines to minimize excess gate-checked baggage.

**22. How will this impact carry-on bags?**

We'll continue to monitor gate checking activity carefully. It is reasonable to expect that customers will begin carrying more on board to avoid paying the fees, and we all need to work hard to manage so that the operation does not suffer. We have teams of people

who are working to evaluate our processes and ensure that we have the right tools and resources to handle the increased volume of carry-on luggage.

**23. Will the expectation continue that we maintain getting flights out on-time?**

Yes, absolutely! Employees have already earned \$200 each thus far in 2008 through the Triple Play program for our spectacular on-time performance. We can't let up now and we won't! Maintaining a smooth boarding process and strong on-time performance will require the partnership and cooperation of all airport customer service and inflight employees. Given what the team has accomplished thus far with our operational turnaround, this challenge is not too great for this team; in fact, there isn't a challenge that we can't overcome by working together. (ioho...which is web speak for "*in our humble opinion*")

**In-flight Beverage Purchase Program**

**24. How will the program work?**

The program will work much like Buy on Board. Passengers will be able to purchase an entire can of soda or juice, bottle of water, or cup of coffee for \$2 beginning Aug 1. We are also looking to expand our in-flight product offering to include premium beverages and snacks to give our customers greater selection and quality. All alcoholic beverages will now be \$7.

**25. Will we accept credit cards for beverage sales or just cash?**

Cash will be the only method of payment beginning Aug. 1. We are working to launch in-flight credit card readers allowing customers to pay for all in-flight items with a credit card, so stay tuned for more on this in the near future.

**26. Won't we have to pack a lot more product, thus adding weight, onto the aircraft to accommodate sales?**

Initially, the carts and galleys will be provisioned as they are today. Since it is possible that onboard consumption will be reduced, we will monitor product usage and adjust accordingly to ensure that our onboard supply meets the needs of our customers.

**27. What if a passenger needs to take medication during the flight or is about to pass out because they're thirsty?!**

Our flight attendants are trained and empowered to meet the safety concerns of our customers. It's their highest priority. If a passenger needs bottled water to take medication flight attendants will provide the passenger with a complimentary cup of water poured from bottled water. Of course for more serious conditions (diabetic situation, etc.), a customer would always be provided complimentary bottled water or juice as needed. If a customer is having a serious medical issue, our flight attendants are trained professionals and they will err on the side of taking care of the customer's health/well being. This is a trust issue, and we trust our people to make good decisions while being financially responsible for our airline.

**28. Will we charge passengers for beverages during long onboard delays?**

During long on-board delays, really those over an hour, any beverage service (non-alcoholic) conducted while the aircraft is on the ground will be complimentary. Sometimes, a delay may be less than an hour but it is in a market like say, oh Phoenix, where it's so hot that a delay over 20 minutes becomes a challenge. Again, this goes back to trusting the good judgment of our flight attendants and giving them the ability to

take care of our customers while ensuring that as a company, we are all taking every step possible to ensure US Airways is around for a very long time. This is a balancing act but we have terrific flight attendants who have been flying long enough to discern all of the challenges of a day in the operation and at the end of the day, make it all work.

**29. Beyond extended onboard delays, are there other passengers who will be entitled to complimentary beverages?**

Unaccompanied minors will receive complimentary beverages. All other passengers seated in domestic coach will have the option to purchase a beverage.

Also, passengers seated in first class, on Shuttle and all trans-Atlantic flights in both Envoy and economy class will receive complimentary non-alcoholic beverages.

**30. Will employees get complimentary beverages?**

No, just like Buy on Board, employees traveling on business or pleasure will have the option to purchase a beverage or not. On-duty crew members may consume complimentary non-alcoholic beverages while on board.

**Guest Pass and Parent Travel**

**31. When do the increased fees for guest pass and parent travel take effect?**

Today, June 12.

**32. Will employees and eligible dependents (spouse and children) have to pay?**

No, employees and their eligible dependents will continue to fly for free.

**33. What's the new registered guest and parents travel program?**

Effective June 12, the fees charged for employee guest pass tickets will double and the prices for parent passes will increase as well. The following table outlines the new fees, not including taxes and other fees:

<b>Parent and Guest Pass Travel Fees</b>			
	<b>Distance</b>	<b>Old Price</b>	<b>New Price</b>
<b>Guests</b>	0 – 500 miles	\$25	\$50
	501 – 1000 miles	\$30	\$60
	1001+ miles / Caribbean / Mexico	\$40	\$80
	Hawaii / Europe	\$100	\$200
<b>Parents</b>	North America, Caribbean / Latin America	\$15	\$25
	Hawaii / Europe	\$40	\$70

***Even with these increases, our fees still don't cover the fuel expense on a passenger. We spend \$299 on average in fuel costs alone to carry one passenger on a roundtrip journey in 2008, which is up from an average of \$151 in 2007, and it was \$70 in 2000.***

**34. What's the protocol if I need to make a change to guest pass or parent travel that I've already booked?**

There are two things to keep in mind: If you make a change to the travel date only, you'll be exempt from the new service charges. If you make a routing change, you'll need to pay the new service charges.

**Dividend Miles Program Changes**

**35. What changes are being made to the Dividend Miles program?**

A new award redemption processing fee to accommodate higher fuel costs will be assessed for travel booked on or after Aug. 6. The fee will be based on destination (\$25 for domestic / Canada tickets, \$35 for tickets to Mexico / Caribbean, and \$50 for Hawaii / international).

We'll also be eliminating the bonus miles program for Preferred status Dividend Miles members. Preferred members currently receive mileage bonuses based on their status level. The Preferred bonus program will be discontinued for tickets purchased on or after Aug. 6, 2008.

**36. Aren't we worried that our most loyal customers will book other carriers now as a result of these changes?**

Our frequent flyer program continues to be one of the best programs in the industry and presents the most generous upgrade opportunities. Dividend Miles Preferred members are eligible for unlimited complimentary upgrades up to seven days prior to departure versus five days, often accompanied by a fee, on other frequent flyer programs.

**Call Center and Airport Fees**

**37. What fees are changing when customers call reservations?**

We're now charging a \$25 service fee for domestic tickets and a \$35 service fee for international tickets purchased through reservations line (current domestic and international ticketing service fee is \$15).

**38. Are fees increasing at the airport or city ticket offices?**

Tickets purchased at airports and the city ticket office will be assessed a \$35 (domestic) and \$45 (international) service fee. Prior to this change the fee was \$20 for both domestic and international.

**39. What's the estimated revenue we stand to gain from these new initiatives?**

We hope to realize as much as \$300 to \$400 million on an annual basis when all of the programs being announced today are up and running, including our Choice Seats program and revenue from second-checked-bags. Keep in mind we are working to offset additional fuel expenses of approximately \$1.9 billion.

**Investing In the Future**

**Operational Focus/RCA**

**40. We've made significant improvements in our operation but still have more work to do. With all these changes can we expect the investment in our operation and product to go away too?**

We will continue to invest in the operational turnaround initiatives that have helped vault us from the bottom of the DOT's on-time performance charts in early and mid-2007 to industry-leading on-time performance in 2008.

**41. What does it mean to reduce capital expenditures?**

This means not spending money on large projects that are nice to have, but not necessary to have. Precisely, we're reducing these expenditures from \$240 million to \$225 million. What doesn't change is the money we've allocated to continue the RCA, or Reliability, Convenience, Appearance, program. We want to be strong when we come out on the other side, and not come out with an airline that has not had the proper investments for the long-term.

Investments that will continue include:

- Cabin refurbishments
- Improved and additional check-in kiosks
- Airport Club refurbishments
- Facility upgrades
- New gate-reading technology
- Completion of the airline's next-generation website.

**42. What other moves are executives making to invest in the future?**

Well, Doug made his own commitment today by stating he plans to purchase an amount of LCC stock shares equivalent to his 2008 annual salary. Sure, he makes a lot of money, more than any of us actually. But he wanted to make a bold statement to demonstrate his belief in US Airways and its employees. He also wanted to be clear to our shareholders that that belief has not wavered in spite of the challenging times we face. He plans to complete this transaction when the legal team determines the trading window is open for all insiders.