

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION
CIVIL ACTION NO. _____

US AIRWAYS, INC.,

Plaintiff,

v.

US AIRLINE PILOTS ASSOCIATION and
MICHAEL J. CLEARY,

Defendants.

**DECLARATION OF KERRY F. HESTER
IN SUPPORT OF PLAINTIFF'S MOTION
FOR PRELIMINARY INJUNCTION**

I, KERRY F. HESTER, declare and state as follows:

1. I am employed by US Airways, Inc. ("US Airways" or "the Company"), as Senior Vice President, Operations Planning and Support. In this position, I have responsibility for crew resources planning, operations engineering and analysis, customer relations, central baggage recovery, customer strategy (including airport technology and ancillary revenue programs), process design and performance measurements for the Company, and the Company's reservation call centers and airport clubs. I have personal knowledge of the facts set forth below and if called as a witness in this matter, I could and would competently testify thereto.

2. My declaration is organized into four sections. Section A provides background information regarding my work experience at US Airways and at my former employers. Section B provides background on US Airways' tracking of certain performance metrics, and the importance of operational reliability to an airline. Section C addresses the impact on customer relations and goodwill resulting from the changes in East pilot behavior described in the Expert Report of Dr. Lee, as well as the impact on the traveling public and US Airways' employees.

Section D addresses the financial cost to US Airways associated with the changes in East pilot behavior.

A. Background

3. I have held my current position at US Airways since September 2010. From September 2007 to September 2010, I worked as the Vice President of Reservations and Customer Service Planning at US Airways. In that role, I coordinated the overall customer travel experience from booking initial reservations to check in. Prior to joining US Airways, I worked at Northwest Airlines in various positions for approximately 11 years. During my tenure at Northwest Airlines, I held numerous management roles, including managing director of reservations sales and services, managing director of employee engagement, director of customer service airport operations, director of network planning and strategy, manager of route planning, and manager of pricing analysis. Prior to joining Northwest Airlines, I served as a staff consultant at Andersen Consulting and a marketing analyst at Aeroquip.

4. I graduated with a Bachelor of Arts in economics from Tulane University, and received a Master of Business Administration from the Stephen M. Ross School of Business at the University of Michigan.

B. US Airways' Tracking of Certain Performance Metrics

5. US Airways is a commercial air carrier, headquartered in Tempe, Arizona, with domestic and international operations. US Airways is a "common carrier by air" as defined in the Federal Aviation Act of 1958 and a "carrier" as defined by the Railway Labor Act.

6. US Airways has an elaborate system for tracking and compiling detailed data regarding maintenance write-ups, flight delays, taxi times, and a number of other variables that

impact the operations of US Airways. In my role as Senior Vice President, Operations Planning and Support, I routinely review and analyze this and other data.

7. This data is tracked and monitored because operational performance is very important to an airline. When an airline has strong operational performance, it attracts more customers. Conversely, an airline with weak operational performance attracts fewer customers. For this reason, US Airways has invested substantial resources into improving and maintaining its operational reliability over the past several years.

8. These operational performance issues not only impact an airline's reputation in the marketplace and ability to attract customers, they also are accompanied by significant financial costs. For example, if a flight is not on-time and a passenger misses a connecting flight, US Airways may have to provide the customer with a hotel, meal, or transportation voucher, or may lose revenue by transferring the passenger to a competitor air carrier. These operational issues also can result in increased wage costs because the Company may have to pay overtime to its employees who stay late to handle these issues (*e.g.*, there are more passengers calling reservations to re-book flights).

9. We track numerous specific categories of data, including: "FP0" delays, which the Company uses to track pilot-induced delays for reasons other than the crew arriving late to the aircraft; pilot fatigue calls (when a pilot reports that he or she is too fatigued to fly), which are generally rare; taxi-out and taxi-in times for each flight (which are important to overall operational performance); maintenance write-ups by pilots; passenger and baggage missed connections; and flight cancellations.

C. Impact of USAPA and the East Pilots' Actions on US Airways' Customer Goodwill, the Public, and US Airways' Employees

10. As detailed in the Expert Report of Dr. Darin Lee, since May 1, 2011, for flights operated by East pilots, there has been a significant increase in: flight delays attributable to pilots; taxi in and taxi out times; the number of maintenance write ups; the number of pilots calling in fatigued; the number of late arriving flights; the number of bags and passengers missing connecting flights; and the number of flight cancellations. As a result of these changes in operational performance, the travel plans of many thousands of members of the traveling public have been disrupted because of late and cancelled flights, and missed connections (of either luggage or passengers).

11. Late and cancelled flights and missed connections (of either luggage or passengers) translate directly into unhappy customers and lost customer goodwill. This lost customer goodwill is difficult if not impossible to replace or to rectify with monetary compensation. Some percentage of those customers who have been directly impacted (in the form of a delayed or cancelled flight or missed connection) will undoubtedly question whether to fly US Airways in the future, and instead choose another airline — known in the airline industry as “booking away.” And regardless of whether the operation is returned to normal, it is likely that certain of these passengers will never return. If other things are equal, a passenger is more likely to choose an airline that he or she believes will arrive on-time and with which the passenger has had a previous good experience. Moreover, passengers who have bad experiences in the form of delayed or cancelled flights discuss these experiences with friends, family members, and colleagues, and often times broadly share their experience through social media channels, thus eroding goodwill of other customers or potential customers who were not directly impacted by the delay or cancelled flight.

12. In addition to the loss of customer goodwill, the deterioration in operational performance metrics caused by the East pilots has also caused irreparable harm to US Airways' brand and reputation by lowering US Airways' on-time rankings as measured by the Department of Transportation ("DOT"). These rankings are important because customers and potential customers rely on these rankings to make decisions regarding airline selection. And the widespread and publicly available nature of airline operational performance metrics results in relative operational performance being a key element of competition between carriers.

13. While US Airways has ranked either first or second among its peers in terms of on-time performance (as tracked by the DOT) in 2008, 2009, 2010, and in the first four months of 2011, it ranked next to last in May of this year. US Airways' rankings have also deteriorated in baggage handling performance and customer complaints, both metrics which are directly correlated to on-time performance.

14. Flight delays and cancellations also directly translate into harm to the traveling public. Each passenger whose travel plans are disrupted because his or her flight is late or cancelled gives rise to the possibility that such passenger's life is impacted in more significant ways (*e.g.*, it could cause the passenger to miss an important family event or business meeting). Thus, a delayed or cancelled flight can be extremely disruptive to a passenger's life. And when this happens, those customers become much more likely to "book away" on their next flight.

15. In addition, USAPA's campaign is directly harming US Airways' employees. As part of its efforts to improve and maintain operational reliability, US Airways established the "Triple Play Program," which provides monthly bonuses to more than 30,000 eligible employees (including 8,000 US Airways employees based in Charlotte) if US Airways achieves a first place ranking in any of three DOT-measured metrics (on-time arrival, mishandled bags, and customer

complaints) relative to its primary competitors. Under the program, employees receive \$50 for each first place ranking in each metric for each month — or up to \$150 per eligible employee per month. This program has resulted in significant payouts to US Airways' employees — earning employees approximately \$24 million in 2010. This translates into \$650 per employee in 2010. As noted above, USAPA's campaign is having a dramatic impact on US Airways' operational performance in terms of these rankings. Thus, in addition to disrupting the lives of the traveling public and harming US Airways, USAPA is also causing direct financial harm to US Airways' employees.

16. Given the large number of members of the traveling public impacted by the East pilots' actions, the long-term damage and loss of goodwill and reputation to US Airways and its employees, as well as the long-term damage and harm to the traveling public, is obviously significant. And for each day that the East pilots' actions continue, this long-term damage and harm will become greater.

D. Financial Impact to US Airways Resulting from USAPA and the East Pilots' Actions

17. US Airways estimates that the cost of each additional minute that an aircraft taxis costs the Company approximately \$9.62 for its smallest narrow body East aircraft (the Embraer-190); \$14.43 for the Airbus A319/A320/A321s and the Boeing 737; \$19.24 for the Boeing 757; \$21.65 for the Boeing 767; and \$26.46 for the Airbus A330.

18. Based on US Airways' East operations, the departure weighted average taxi cost per minute for US Airways' East operations is \$14.76 per minute. Elongated taxi times drives costs that include unnecessary fuel burn, wage costs for both pilots and flight attendants, and engine maintenance costs. As to engine maintenance, US Airways pays engine manufacturers

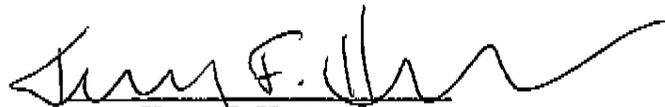
(such as GE or Rolls Royce) a set rate to cover maintenance costs for each hour an engine is in use, regardless of whether the aircraft is in flight or taxiing.

19. US Airways estimates that the costs to the Company associated with each piece of luggage that misses a passenger's connecting flight is \$49.96, excluding goodwill.

20. US Airways estimates that the costs to the Company associated with each passenger who misses a connecting flight is \$452.93, excluding mishandled bags and goodwill.

I declare under penalty of perjury under the laws of the United States that the foregoing statements are true and correct.

Executed this 28th day of July, 2011, at Kapalua, Hawaii.



Kerry F. Hester

CERTIFICATE OF SERVICE

I hereby certify that the foregoing **DECLARATION OF KERRY F. HESTER**
IN SUPPORT OF PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION was
served on Defendants United Airlines Pilots Association and Michael J. Cleary by depositing
a copy with the United States Postal Service, certified mail, return receipt, postage prepaid,
addressed to the following:

US Airline Pilots Association
c/o Michael J. Cleary
26-A Cedar Point Road
Durham, NH 03824

Michael J. Cleary
26-A Cedar Point Road
Durham, NH 03824

and on Defendant United Airlines Pilots Association via hand delivery to the following
address:

US Airline Pilots Association
200 East Woodlawn Road, Suite 250
Charlotte, North Carolina 28217-2207

This the 29th day of July, 2011.

/s/ Robert R. Marcus

Robert R. Marcus

Attorney for Plaintiff