



M E M O R A N D U M

TO: ALL RESERVATION AGENTS FROM: GUY
AT: RESERVATIONS AT: RESERVATIONS
SUBJECT: ESTABLISHMENT OF NEW RESERVATIONS FACILITY

DATE: JUNE 26, 1985

During the last year, it has become increasingly evident that the expansion in the volume of calls received by PSA is stretching our Scripps Reservations facility and the staff to the breaking point. I am aware of the pressure that this expansion of work has placed on each of you.

It is clear that the expansion of PSA's flight schedule for 1985 and 1986 will further increase the already overburdened reservations system that is currently in place. For this reason, over the last several months, we have been studying the technical aspects of how best to expand the reservation capacity to respond to the growth of our Airline. After careful consideration of all relevant factors, PSA has determined that the best interests of the Company require the establishment of a second Reservations Center.

The Reservations Center will be located in the Reno, Nevada, area. It is PSA's current intent to have the new Center operational beginning in November 1985. Details regarding the construction, staffing, and integration of the Center are currently being developed and finalized. In addition, we have given notice to Local 2707 of the Company's establishment of the new facility pursuant to the provisions of Article 18, Section G, and I expect that further discussions will follow regarding the effects of the new Center on agents at the Scripps facility.

There are a number of economic factors which make the establishment of a second Center in the northern sector of the PSA route structure the most efficient approach to responding to the increased call volume. Among the factors which affected the Company's decision were:

1. The substantial increase in the cost of leasing telephone lines to transmit calls from cities in the northern half of PSA's route structure to San Diego;
2. The absence of cost-efficient expansion capability at the Scripps Ranch facility;
3. The emphasis in PSA's route expansion on cities in the northern half of PSA's route structure.

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Although cost-effective, business decisions of this nature are absolutely vital to any companies success, these decisions are not made without consideration of the effect they will have on employees.

It was a difficult decision, for example, to reduce the number of flight attendants from 4 to 3 on the DC9-80, which resulted at the time in considerable furloughs. It was not an easy decision to relocate pilots, flight attendants and Maintenance employees to Los Angeles and San Francisco or to close Salt Lake City, Albuquerque and Monterey. However, each of these decisions are critical if we intend to maintain our strength and solvency in this extremely competitive industry.

I realize that many of you will have a great number of questions concerning the effect of the new Center on your future. It is too early to answer most of those questions in that the plans for the new Center are currently in a development stage.

As I indicated above, we have given notice to your Union Representatives and expect that we will be having substantive and detailed discussions concerning the effects of the new Center in the near future. I have attached a list of answers to questions we anticipate most of you will have regarding the Reno Center. Some questions I simply will not have answers to until plans for the operation of the Center are finalized. As soon as I have more information concerning the construction of the Center, the staffing of the Center, and the plan for integrating the Center into the PSA Reservations system, I will pass that information on to you.

Thank you again,

A handwritten signature in black ink, appearing to be 'D. Gray', written in a cursive style.

1. Does the current collective bargaining agreement apply to the new Reservation Center?

The current collective bargaining agreement will govern the terms and conditions of employment of all bargaining unit members assigned to the new Reservation Center unless the Company and the Union mutually agree to modify the contract.

2. How many reservation agents will be assigned to the new Reno Center?

The Company currently plans to commence operations at the new Center with a staff of approximately one hundred (100) reservation agents. The rate of expansion of the new Center's work force following commencement of operation will depend on a variety of factors, including but not limited to Telecommunication costs, the rate at which the Company expands its flight schedule in the northern half of its route structure, and the growth of PSA's reservation call volume. Because plans for the operation of the new Center are not yet complete this estimate of initial staffing is subject to change.

3. Will the new Reservation Center have support areas, i.e., Group Desk, Interline, Message Center, etc.?

No final decision has yet been made.

4. What affect will the opening of the Reno Center have on staffing at the Scripps Center?

Although the Company's staffing plans are not yet finalized, establishment of the Reno Center will most likely require that some current bargaining unit employees assume vacancies at the new Center. It is not possible at this time to determine the seniority of those bargaining unit members most likely to be affected by such vacancies/transfers. Absent a mutual agreement between the Company and the Union to modify the terms of the current contract, the Vacancy and Transfer provisions of this contract will govern such vacancies/transfers. I understand that many agents will be interested in obtaining more details relative to this subject and I will pass such information along to you as soon as it is available.

5. Will the Reno Center operate during the same hours as the Scripps Center?

The Company currently anticipates that the new Center will operate on the same or similar hours as the current Reservation Center.

In providing the information outlined above, I want to emphasize that planning for the new Reno Center has not been completed and that this information is subject to change. I will continue to keep you updated on developments concerning the Reno Center.

