

Along with last month's announcement of the 2009 Pay Plan—a 52-week pay freeze that began February 23, 2009—we mentioned other areas where ABX Air's cost structure would be reduced. In the March 4 Hangar Talks, John Graber indicated that pay cuts would primarily affect the Flight and Maintenance departments. He also restated that like other companies across the country, ABX will look at other policies and benefits that will change in the near term. This issue of FYI provides more details on these policy changes.

## Hangar Talk Summary

ABX's Safety and Compliance performance has been excellent since May 28, 2008. Despite the many changes our company has seen, operational performance has remained around 98 percent on time.

Deutsche Post's CEO, Frank Appel, recently indicated the DHL/UPS deal was in doubt, but that DHL's performance in the United States drawdown has been excellent. That comment was a direct reference to the work of ABX Air.

ABX Air and ATSG are following through with the plans projected last June – trying to keep DHL for the long term, building our ACMI charter business beyond DHL, ATSG's dry leasing aircraft, and expanding our services businesses. All those efforts are paying off.

The economy has impacted the worldwide ACMI marketplace, and ABX must lower costs to be more competitive, including reducing pay in many airline positions. Joe Hete and John Graber took the first pay cuts and will do so again when more cuts are implemented. All of these cost reductions are intended to attract more ACMI business and show DHL that we can help them to stay in Wilmington for a long time to come.

Brady Templeton is leading the new MRO, Airborne Maintenance and Engineering Services (AMES), which is starting to hire people. Visit [airbornemx.com](http://airbornemx.com) for more information.

ABX Air intends to use the new MRO to perform all of its aircraft touch labor in the hangar and on the line beginning around early May.

## Upcoming Policy Changes

ABX Air plans to implement the additional policy changes on May 4, 2009 (except where noted otherwise). These changes are listed below, along with a general plan as to how they will occur.

**Attendance** – In a smaller organization, attendance will be even more important to our success. We will lower the attendance termination threshold to six occurrences resulting in termination. The Excellent Attendance program has already been suspended, and will be re-assessed at a later time.

**Sick Time Accruals** – In alignment with the attendance change, we will reduce sick time accruals from nine days a year to six days a year, and the maximum accrual that you can attain is 80 days. Current balances will be maintained, and employees will earn new accruals only when their sick leave balance is less than the new cap.

**Salary Continuation for Exempt Positions** – will be discontinued. However, your sick leave balance can be used to make up the difference between disability pay and regular pay.

**Overtime** – will be paid at 1.5 time for all hours worked over 40 in a week. Unworked time, such as sick and vacation, will not count toward overtime and there will be no seventh-day premium. Shift and license premiums will be included in the calculation.

**Vacation** – The maximum accrual rate will be reduced to 4 weeks rather than 5 weeks. Employees will keep what has already been accrued at the 5 week rate, and the new lower accrual rates will begin on May 4. The award on the next anniversary date will be a total of all of the accruals. Maximum award levels at 1, 5 and 15 years will not change.

**Retirement Income Plan (Pension)** – will be frozen as of April 14, 2009. Participants in this plan will be moved to the 5% defined contribution plan effective April 1, 2009 at a prorated amount. Notification letters will be sent to employees' homes in the near future.

**Disability** – A new carrier is providing LTD benefit coverage. The new carrier will not cover disabilities caused by so-called "Dangerous Activities" including but not limited to SCUBA diving, rock climbing, hang gliding, parachuting, bungee jumping, deep sea fishing, use of all terrain vehicles (ATV's), driving or riding in a race, and driving or riding on a motorcycle or motor scooter other than a moped. Less common Dangerous Activities restrictions apply. The STD benefits remain with CIGNA and do not have these restrictions.

## What is Not Changing

**5% Defined Contribution Plan** – No change at this time.

**401(k) Matching Funds** – No change at this time.

**Years of Service (company seniority) and Awards** – will continue.

**Health Care Benefits** – will remain as they are today through the remainder of 2009, but will be reviewed for 2010 and will carry higher employee cost sharing at that time.

**Health Care Center & Pharmacy** – will remain at least through 2009. Hours will be adjusted depending upon use.

**Life Insurance** – No change at this time.

**Holidays** – No change at this time.

## Severance and Retention

If you keep a job with ABX, you will not get severance. If you currently support DHL and stay until we are able to release you or if you keep a position after the retention program is completed, you will get retention. Generally speaking these payouts will be at the rate of pay you were making on February 23, 2009.

## Productivity Bonus

To align with the method DHL applied to its employees, ABX employees who received this bonus will get a retroactive payment grossing the bonus up to the full \$150. Future payments will include the gross-up.

Please forward your questions to your management, Employee Relations, our CEO [Joe.Hete@abxair.com](mailto:Joe.Hete@abxair.com), our President [John.Graber@abxair.com](mailto:John.Graber@abxair.com), or our Vice President of Human Resources [John.Starkovich@abxair.com](mailto:John.Starkovich@abxair.com).