

Unions accept massive cutbacks at US Airways

Paul Sherman
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Union leaders representing 32,000 pilots, flight attendants, mechanics and other workers at US Airways have agreed to cuts in pay, reduction of benefits and changes to work rules that will save the airline more than \$1.2 billion a year.

The cuts were part of a bankruptcy reorganization plan filed by US Airways on December 20. In total, the airline plans to cut costs by \$1.8 billion a year. The airline also plans to lay off another 2,700 workers by April. In the past two years the airline has cut 14,000 jobs.

US Airways presented the reorganization plan shortly after it finished negotiating \$200 million a year in additional concessions from its four major unions. Only a few months earlier, the unions had granted more than \$900 million a year in pay and benefits cuts. But creditors deemed that the cuts were not enough and threatened to drive the airline into liquidation if even more draconian measures were not taken.

The pilots union, the Air Line Pilots Association, approved new pay cuts totaling \$99 million a year. This is on top of \$465 million in annual concessions agreed to by the pilots in October. The airline has already laid off 2,000 pilots. There are currently 4,000 pilots still working.

The airline's 6,200 mechanics, represented by the International Association of Machinists, will take \$59 million in additional cuts on top of the \$152 million approved by the union in September. Initially the membership rejected the concessions but the union leadership pushed for another vote, threatening workers that they would be out of their jobs if they did not agree to the pay cuts. Another 4,900 fleet service employees, also represented by the IAM, were forced to take an additional \$14 million in givebacks on top of the \$62 million granted by the union in August.

The Association of Flight Attendants, which represents 11,000 flight attendants at the airline, gave up an additional \$26 million on top of a total giveback of \$492.7 million over six-and-a-half years. In negotiating the concessions with US Airways, the AFA only demanded that the company also cut the pay of managers and nonunion employees, which the airline readily did, to the tune of \$13.4 million.

The Communications Workers of America, which represents customer service agents, approved additional concessions totaling \$14 million a year on top of \$25 million given up earlier in the year. The Transportation Workers Union (TWU), which represents about 100 flight crew training instructors, also took additional cuts on top of givebacks agreed to by the union in the fall.

"All they do is take and they don't want to give us anything," said Joe Jakiela, a fleet service worker at Pittsburgh International Airport with 24 years service and a member of the IAM. "It is unfair, we have families to support. These jobs should be a career job, where a worker can support his family and plan to retire. But (US Airways president and chief executive David) Siegel said that no one should think of this as a career anymore, that you shouldn't expect to work here until you retire.

"We have guys here with almost 18 years of service and they were let go two weeks before the holidays. How do you go home and face your kids and family and tell them they won't be able to get things they want for Christmas?"

"The unions don't have the same power that they used to; the past decade the tables have turned. The government, the banks—these are the people who have the money and are calling the shots."

Among the concessions agreed to by the various unions are pay cuts of 13 percent, cuts in pay for vacations, training and downtime between flights. Mechanics will have to pay double for their health insurance and the company can contract out much of their work. This new round of concessions will more than wipe out whatever small gains workers made during the 2000 bargaining. Workers at US Airways took massive concessions in 1993, including a six-year pay freeze, and only received small pay raises beginning in 2000.

In addition to the direct cuts agreed to by the union leadership, workers and retirees will lose thousands of dollars from their 401(k) retirement plans that were invested in company stock. Under the reorganization plan, current US Airways common stock will be worthless, with the company issuing a new stock when it comes out of bankruptcy.

It is also certain that the airline will make cuts in pension benefits. The reorganization plan makes no provisions for \$3.1 billion in payments owed to the company's pension funds over the next seven years. To emerge from bankruptcy the airline must either show how they can make these payments, something it cannot do, or cut pension benefits by a corresponding amount.

"I am very thankful that I still have a job," said Maryann O'Brien, a flight attendant with 30 years service. "Nobody is happy to take a pay cut, it is like I am making what I got 15 years ago. There is no guarantee that we will have jobs, there will be more layoffs at the beginning of the year.

"I just want to change places with the executives for just one month and make what he is making and let him do what I have to do and see if he can live off of what we make."

Ann Mayerich, a customer service agent with 27 years service, said, "I want to keep the airline viable, but why is it always the front-line workers who have to give all the concessions? The problem is we have had bad management for years. The top executives get a \$6 million bonus after bankruptcy; they say it is necessary to retain them. How about us? Isn't it necessary to keep us? After all, it is us that makes the airline run."

Major parts of the agreement granted US Airways by the unions will allow the airline to expand its regional carriers where workers are paid only a fraction of what their counterparts earn. US Airways has already cut its fleet of large passenger jets from 311 to 279.

Under the deal, the airline will replace its fleet of turbo-prop planes with small jets and increase their number to 300, where workers are paid less, while cutting the number of flights on its main carrier.

Anna is a flight attendant at one of the regional subsidiaries. "They can't take any more from us, we don't make anything now," she joked. "I have been here six years and make only \$9.40 an hour. Starting pay is \$6.40 an hour. The higher-ups make so much, yet they want us to save the airline by taking cuts. I can hardly live on what I am making now, how can I live on less? We have bills too. Gas, food, clothing, everything keeps going up. You work at a place for years, you want to have something to show for it, not just keep going backwards."

US Airways, the nation's seventh largest airline, filed for bankruptcy in August after losing \$2.1 billion in 2001 and another \$850 million during the first nine months of this year.

The Bush administration, through the Air Transportation and Stabilization Board, demanded that US Airways drastically cut labor costs as the condition for \$900 million in federal loan guarantees.

In October US Airways agreed to sell a 36 percent stake in the company to the Retirement Systems of Alabama (RSA) for \$240 million plus \$500 million in what is known as debtor-in-possession financing to keep the airline running while under bankruptcy. The RSA is a \$25 billion fund that handles pensions for about 300,000 public employees in the state of Alabama. It specializes in investing in troubled companies and forcing through massive cuts in jobs, wages and benefits.

In early December, after the unions had agreed to \$900 million in cuts, RSA chief executive David Bronner sent a letter to US Airways demanding \$200 million in additional concessions, threatening that the RSA would pull out of the deal and force the airline into liquidation if they were not accepted. Bronner also demanded an increased share in the company and the power to appoint 8 of the 15 members on the board of directors.

In statements to the press, Bronner also made clear that if US Airways fails to meet financial targets during the next three months that the deal will be up for renegotiation and demands made for further concessions and job cuts. "We are re-trading the deal," Bronner told the Associated Press. "We want more."

In exchange for pushing through the concessions plans, the union leaderships have been awarded part ownership in the reorganized company and have seats on the new board of directors. The Air Line Pilots Association, Association of Flight Attendants and the International Association of Machinists will each get one seat on the

board of directors while the Communications Workers of America and Transport Workers Union will share one seat. The ALPA will get 19.3 percent stake in the new company with the other unions controlling a 10 percent share between them.

ALPA, CWA and TWU have already accepted the additional cuts. Both the IAM and the AFA, fearing opposition from their members, scheduled the votes just days before a January 16 bankruptcy hearing is to be held. By scheduling the vote then, union leaders hope to place the most pressure upon members to accept the deal or face losing their jobs.

Ken Emens, a ground service employee with 24 years service and a member of the IAM, expressed the lack of confidence in the union leadership felt by most workers. "Nobody likes to have to give concessions. I haven't seen the details, but from what I understand this will take us back eight years if not more. But I would hate to throw 24 years of my life away. Who is going to hire me around here at my age and with my heart condition?"

Despite the concessions and other cuts, the company still expects to lose over \$229 million in 2003, and this is assuming that air traffic begins to rebound this year, something most experts doubt, especially if the Bush administration decides to invade Iraq.

The attack on workers at US Airways is part of a massive attack on airline and all workers being spearheaded by the Bush administration through the Air Transportation Stabilization Board.

On December 7, the ATSB rejected United Airlines' request for a \$1.8 billion loan despite more than \$5 billion in concessions promised by the airline's unions. Since then United has filed bankruptcy and gone into court to have all its union contracts voided. United is demanding that workers give nearly twice the amount in concessions. The company has asked the bankruptcy judge to impose a 13 percent pay cut on the machinists union, which represents 35,000 workers, and surrender all future pay raises. The company is demanding that flight attendants take more than \$2.4 billion a year in cuts. United has sent out messages to its 81,000 employees, warning them to expect "significant layoffs" in the near future.

American Airlines, the nation's largest airline, has begun meeting with unions seeking a wage freeze and other cuts aimed at reducing expenses by \$4 billion a year.

Robert Crandall, a retired chairman and chief executive of American, and now an airline industry analyst, described the extent of the concessions the airlines are seeking and the conflict with workers it is bound to create: "Airline employees are not going to want to change the conditions that have grown up over all the years since World War II, but they have to change, and change very dramatically."



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