Judge imposes pay cut on United Airlines mechanics

Assault on airline workers intensifies

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Following the decision of a federal bankruptcy judge to impose a temporary 9.8 percent pay cut on United Airlines mechanics, the company's CEO Glenn Tilton has threatened to go to court again to impose permanent wage cuts if workers resist this demand. Members of the Airline Mechanics Fraternal Association earlier voted to reject the company's proposed cuts, including a 5 percent wage reduction.

On January 31, Judge Eugene Wedoff approved cuts in wages and sick benefits effective February 1 through May 31 for United's mechanics and cleaners. At the same time, he approved concession agreements accepted by the pilots and flight attendants unions. The pilots ratified an agreement cutting wages by 11.8 percent representing a $180 million annual savings for the airline. Flight attendants narrowly approved a 9.5 percent cut for an annual cost reduction of $131 million. United is seeking a total of $725 million in salary and benefit cuts from its workers, using its bankruptcy filing as a bludgeon.

In granting United's request for an order slashing mechanics' pay, Judge Wedoff remarked that failure of AMFA members to shoulder concessions "could cause great unrest" among workers belonging to unions that have already accepted cuts. The role of the bankruptcy court as little more than an adjunct of corporate management was underscored by the decision of Judge Wedoff to impose a wage cut double the amount demanded by United. Wedoff also imposed concessions on United mechanics two years ago, after they rejected an earlier round of concessions. Afterwards, the mechanics voted to leave the International Association of Machinists and join the AMFA.

While AMFA members voted to authorize a strike if the bankruptcy judge invalidated their contract, the AMFA leadership responded to the court ruling by flatly rejecting strike action, instead calling for more negotiations.

Meanwhile, the International Association of Machinists, still the bargaining agent for some 20,000 baggage handlers, ramp workers and customer service agents, has put off a vote on United's wage concessions demands while negotiations continue. In the interim the workers have been saddled with an 11.5 percent pay cut imposed early last month by the court.

The current round of concessions only sets the stage for the next and bigger phase of the assault, the destruction of employee pensions. United is seeking the right to terminate its defined benefit pension plan and replace it with one based on employee contributions. By defaulting on its existing obligations, United management would save some $4.1 billion.

Leaders of the largest unions at United earlier agreed to separate the question of wages from the even more contentious issue of pension benefits. Negotiations will continue on the cuts over the coming months. The company will ask the bankruptcy court to terminate its pension obligations if it does not reach an agreement with its unions by May.

The effort by United to slash wages and shed its pensions is the spearhead of an assault by all the major airlines, which are also cutting wages and preparing to dump their defined-benefit pension plans, substituting inferior 401k-style arrangements for plans that guarantee workers a set amount upon retirement.

On February 3, the Pension Benefit Guaranty Corporation formally took control of three pension plans terminated by US Airways. Since 2003 the airline has dumped some $3 billion in pension costs on the PBGC, which receives no government funding and now faces a deficit of $23 billion. Last October US Airways obtained a bankruptcy court order that cut the pay of its union employees by 21 percent.

Facing the threat that the courts would cancel their contract, workers at US Airways last month agreed to new pacts slashing wages and benefits, including the elimination of health care for retirees, by an aggregate of $1 billion annually. Thousands of workers are expected to lose their jobs under terms of the new agreements, including 1,800 maintenance workers.

The ferocious cost-cutting will inevitably have serious implications for airline safety. A report in the January 21 edition of the *Wall Street Journal* notes that US airlines are contracting out critical maintenance functions in an effort to cuts costs. Titled "Airlines, Facing Cost Pressure Outsource Crucial Safety Tasks," the piece notes: "As beleaguered U.S. airlines seek to cut costs, they are outsourcing a job that is crucial to passenger safety: long-term maintenance. While airlines continue to use their own mechanics for lighter maintenance between flights to ensure punctuality, half of U.S. carriers' heavy-overhaul work is now performed by outside vendors in the U.S. and overseas."

The report points out, for example, that Jet Blue and America West send planes to El Salvador for maintenance. Overall, one half of maintenance work performed by US airlines is now done by outside contractors. The article notes that workers at outside shops tend to be less well trained and don't face the same strict licensing requirements.

An investigation by the National Transportation Safety Board determined that deficient maintenance by an outside contractor and lack of regulatory oversight was the cause of a commuter plane crash in Charlotte, North Carolina, in 2003 that killed 21 people.

What is taking place in the airline industry is the first round of a broader assault by corporate America on the jobs and living standards of the working class. By slashing wages and eliminating pensions the airlines are setting an example that will be followed by other major corporations throughout the United States. This goes hand in hand with the preparations by the Bush administration and the US Congress to dismantle the federal Social Security program for millions of retirees.

The Bush administration made the decision last June to drive United Airlines into bankruptcy by refusing its request for an emergency loan, insisting that management seek billions in additional concessions from its workforce. The ruling was hailed by CEOs of the other major airlines, which hope to use the attacks imposed on United workers as a standard for their own workforces.

In a recent newsletter to employees, Northwest Airlines warned that pay cuts at United would have a "significant impact" on ongoing wage negotiations. The airline now says it is considering increasing its stated goal of cutting $950 million in labor costs.

As the crisis in the industry deepens, competition between airlines is becoming more cutthroat. Delta airlines, which recently used the threat of bankruptcy to extract concessions worth $5 billion from its pilots, has implemented an across-the-board reduction in air fares, a move that will force other airlines to further cut costs if they are to survive. The price cuts take place at a time when all the major airlines are losing money. Total losses for 2005 are expected to exceed $2 billion.

Financial analysts say the move by Delta will likely force at least one of the major airlines, possibly US Airways, out of business. However, so intense is the competition in the airline industry, the failure of one or more carriers will not lessen the pressure for further cost cutting. An article in the January 24 edition of *BusinessWeek*, entitled "Waiting for the first bid to die," predicts "The failure of one or even two of the majors won't be enough to save the ailing airlines. Any reduction in capacity is likely to be quickly filled by low-cost and legacy carrier alike."

The industry has been in almost continual crisis since deregulation began in the mid 1970s, slashing jobs and demanding one round of concessions after another from workers. The 9/11 terrorist attacks and the recent rise in oil prices have further eroded profits, pushing major carriers United and US Airways into bankruptcy and bringing others to the edge.

United's bankruptcy filing wiped out stock shares received by United workers as part of the employee ownership scheme imposed in 1994. At the time workers voted to accept pay and job cuts and a seven-year pay freeze in exchange for supposed part ownership of the company.

All of the airline unions accept the principle that workers must shoulder the responsibility for bailing out the industry. The union leaders have consciously sought to divide workers along industry and craft lines in order to stifle any opposition to the destruction of wages, jobs and working conditions. The gains won in decades of struggle are being ripped away as workers over and over face the ultimatum: sacrifice or the company will go out of business and you will lose your job.

The jobs and living standards of airline workers, as well as the safety and comfort of the traveling public, can only be secured by ending the subordination of the airlines and all major industry to the workings of the capitalist market. This requires an independent political struggle to unite all sections of airline workers and the entire working class around the demand for the public ownership of air transport and other vital services.