

US: low-fare Independence Air to shut down

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US air carrier Independence Air announced Monday that it will shut down all operations on Thursday, January 6, just 19 months after it was launched. The low-cost airline had filed for bankruptcy protection last November 7, and its parent company FLYi had been looking for a major investor or buyer since then, without success.

Independence Air is the latest casualty in the US airline industry, which has seen multiple bankruptcy filings and brutal attacks on the wages and benefits of airline workers, in many cases under the auspices of bankruptcy courts. Independence is the largest US airline to go out of business since 1991, when Eastern and Midway airlines shut down.

The collapse of the Washington, D.C.-based regional carrier follows on the heels of the September 14, 2005, Chapter 11 bankruptcy filings of major airlines Northwest and Delta. US Airways filed for bankruptcy protection in August 2002; United Airlines' parent company UAL Corp. filed for bankruptcy in December 2002.

Independence Air formerly operated as Atlantic Coast Airlines, a carrier of United Express, the regional operator of United Airlines. FLYi rejected an offer in 2003 to remain with UAL, the second-largest US air carrier. Instead, in 2004, it formed an independent carrier flooding the market with low-fare, short-distance flights, mostly on 50-seat regional jets, with many seats often empty.

Independence Air has 2,700 employees and has recently operated as many as 200 flights a day—down from a high of 600 flights—from its hub at the Washington Dulles International Airport near the nation's capital. The airline reported carrying nearly 300,000 passengers in November on its low-cost flights to 37 small and medium-sized cities in the US Northeast and Midwest.

With some ticket prices as low as \$29 one-way,

Independence forced major airlines such as United, Delta and US Airways to trim their airfares. However, losses incurred from these cut-rate fares, combined with skyrocketing fuel costs, contributed to the company's economic demise. In the wake of Independence's collapse, its competitors are expected to raise fares significantly.

Independence workers found out about the shutdown through a public announcement from the company on Monday. In a recorded telephone message to employees, the airline's CEO, Kerry B. Skeen, acknowledged that the environment in the airline industry was "horrible." He noted that major airlines are operating either under bankruptcy protection or "on the threshold of bankruptcy."

The prospects for sacked Independence workers finding jobs in the airline industry are bleak. This is especially true for highly specialized employees, such as the 600 pilots who will lose their jobs. In addition to the pilots, 700 Independence workers are unionized, including mechanics and flight attendants.

Employment at US airlines has plummeted over the last four years, with more than a third of the industry's jobs wiped out. From a high of 680,000 in 2001, employment fell to just 442,000 last year. Those workers retaining their jobs have seen their wages, benefits and working conditions slashed.

The Aircraft Mechanics Fraternal Association (AMFA), which organizes flight mechanics, cleaners and custodians at Independence Air, has been negotiating unsuccessfully for a contract with the airline and its predecessor for the past three years.

More than 4,000 Northwest Airlines mechanics, represented by AMFA, went on strike last August, rejecting management demands for a 26 percent pay cut, the destruction of more than half of their jobs, higher payments for health insurance and other givebacks. Their struggle has been isolated and

betrayed by unions representing pilots, machinists, flights attendants, who have crossed the mechanics' picket lines.

At Independence Air, the company says it is requesting approval from the US Bankruptcy Court in Delaware to offer employees a benefits package following the shutdown. This is highly unlikely, as the bankruptcy courts have routinely ruled against workers in favor of airline bondholders, banks and other creditors.

Last May, a federal bankruptcy judge ruled that United Airlines could default on pension obligations to its 122,000 workers and retirees, and turn over control of its pension funds to the federal Pension Benefit Guaranty Corporation, terminating company pension plans for pilots, flight attendants, mechanics and other ground service workers. United pilots face pension cuts of up to 50 percent, while lower-paid workers stand to lose as much as 20 percent.

The traveling public will also face losses from the Independence Air shutdown. Parent company FLYi has said customers who used credit cards to book flights scheduled to depart after Thursday evening should call their credit card companies to request refunds. FLYi will ask the bankruptcy court to issue automatic refunds on purchased tickets, but there is no guarantee they will be granted. Frequent flyer miles earned by travelers will become worthless.

A letter to passengers on FLYi's web site read: "The financial pressures in the industry have prevailed. We have run out of time." A company press release advised "that the likely outcome of the company's bankruptcy proceeding is the cancellation of the company's existing common stock without consideration, making FLYi stock of no value."



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