

STATEMENT OF
CAPTAIN WENDY MORSE
CHAIRMAN
UNITED MASTER EXECUTIVE COUNCIL
AIR LINE PILOTS ASSOCIATION, INTERNATIONAL
BEFORE THE
COMMITTEE ON THE JUDICIARY
UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, DC

June 16, 2010

Competition in the Airline Industry

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Good morning Chairman Conyers, Ranking Member Smith, Representatives Quigley and Gutierrez from my home state of Illinois and that of United Airlines headquarters, and other members of the Committee. I am Captain Wendy Morse, Chairman of the United Master Executive Council of the Air Line Pilots Association, International. We have more than 7700 active and laid off pilots at United Airlines. I have been flying for 33 years, and a pilot with United Airlines for 25 years. I appreciate the opportunity to speak before the Committee regarding the proposed United-Continental merger. I would like to thank the Committee for taking the time to consider the effects this merger will have on labor.

Over the past decade, the airline industry has experienced the worst economic storm in the history of commercial aviation. An unprecedented series of financial shocks have taken their toll on airline service and employees. Bankruptcies, employee layoffs, contractual concessions, and outsourcing all have been well chronicled in business sections of the nations' newspapers and at the kitchen table of every United employee.

The proposed merger between United and Continental represents not only an opportunity for both airlines, but a possible sea-change in the economic direction and customer satisfaction for the airline industry. How this merger is handled will determine whether it is change for the better.

The choice could not be clearer and the recent history of airline mergers provides a vivid picture of which path to choose. We are not traveling down uncharted territory; the obvious path to success, should it be selected, has already been established. The advantage of the knowledge of what has worked and what hasn't worked must be recognized.

The Delta/Northwest merger, in which the company worked out a mutually satisfactory contract with the pilots, has been a resounding success. It has exceeded initial estimates for financial synergies which led to a more viable company that provides greater service for the flying public and provides greater employment certainty for its employees. The America West/US Airways merger, in which management failed to negotiate contract terms in advance, is still run as two separate companies. Mired in lawsuits, America West/US Airways has failed to realize the

advertised synergies, even though the merger took place more than five years ago and continues to have its share of unresolved labor issues which benefits neither the company nor the consumer.

Today, we find ourselves at a crossroad. Through the extended Chapter 11 bankruptcy process, United Airlines management stripped significant scope protections thereby allowing them to outsource flying, and eliminate jobs as they deemed fit. The process allowed United Airlines to outsource approximately 50 percent of its domestic flying to low cost, subcontracted, often unknown carriers. This has resulted in savings through costs being cut in the area of wages, benefits, and work rules. These are causative factors that ultimately impact safety.

Currently, we have 1437 pilots on furlough while United Airlines continues to outsource to low-cost, subcontracted carriers, and foreign airlines. Today we have a foreign airline, Aer Lingus, using foreign crews that are based right here in Washington D.C., flying a route to Spain with United marketing and sales enabling this joint venture. Revenue earned by United Airlines should be generated by United Airlines pilots. This continued outsourcing has cost United pilot jobs. We concur with the bipartisan view that American jobs are of the utmost importance to the sustained recovery of our economy. The United pilots believe that if this merger is to be successful, United pilot jobs are of paramount importance; and therefore, strong scope protections are essential.

Now is the time to ensure that corporate America lives up to its responsibilities to its employees, customers and stakeholders. We would stand in opposition to this merger if it is to be used as a tool to continue the outsourcing of American jobs on a grander scale, and we are hopeful that will not be the case. Outsourcing has become the ultimate bait and switch where the passengers are often unaware of which airline is actually providing the service. When a passenger buys a ticket from United Airlines, they deserve to have United pilots at the controls. This merger presents the opportunity to put an end to management's preoccupation with outsourcing.

One axiom in this service industry stands as a beacon of truth: Take care of your employees. Ultimately, they will take care of the customers and the business will take care of itself. It is imperative that the combined United/Continental Airlines establish a management team not only capable of running the airline well, but one that also cultivates a culture where this combined entity provides the revenue and capital generation for a great product. In order for this merger to be successful, there must be a joint collective bargaining agreement with assurances for wages, working conditions and job protections that are commensurate with the professionalism that our pilots exhibit each and every day.

Thanks to the professionalism, commitment and financial sacrifice of the pilots and other employees, our airline has weathered numerous challenges, and now flourishes. Without the pilots' and other employees' sacrifices, the proposed United/Continental merger would be not be possible. Our pilots have made the sacrifices. It is now time we shared in the rewards.

While airline executives have been on the Hill saying all the right things seeking approval; I speak for the United pilots when I tell you that our contributions must be recognized in order for this merger to be successful and the synergies to be realized. We ask that as you consider the

benefit this transaction will have on the industry and on consumers, you also measure whether managerial actions are consistent with their words.

United and Continental managements now stand at the threshold of what could be a great airline, one that sees sustainable profits and will also provide unmatched service to our customers. A truly united airline; where passengers can depart from their hometown to virtually any corner of the world. A combined United/Continental could establish a new paradigm in commercial aviation, one where management and labor work *together* to establish a solid, profitable airline where employees are properly compensated and where job security is not a constant concern.

The correct path is easily recognizable and attainable if the new management team focuses on running the airline well and addresses our labor concerns prior to the approval of this merger. The new United management team must embrace the professional pilots as essential partners for this new venture to be truly successful.

As key stakeholders, the United pilots stand ready to embark on this new business opportunity. Our favorable participation will lead to a stable, sustainable airline. This, in turn, will produce an unprecedented level of success for United stakeholders, and an exemplary level of service for the flying public.