



**Testimony of  
Robert Roach, Jr.  
General Vice President**

**International Association of Machinists  
and Aerospace Workers  
Before the  
Senate Commerce, Science  
and Transportation Committee**

**“The State of the Airline Industry: the Potential Impact of  
Airline Mergers and Industry Consolidation”**

**January 24, 2007**

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Thank you, Mr. Chairman, and members of this Committee for the opportunity to speak to you on behalf of airline workers throughout North America. My name is Robert Roach, Jr., General Vice President of Transportation for the International Association of Machinists and Aerospace Workers (IAM). I am appearing today on behalf of International President R. Thomas Buffenbarger. The Machinists Union is the largest airline union in North America. We represent more than 100,000 U.S. airline employees working in almost every classification, including flight attendants, ramp service workers, mechanics, and public contact employees. I have been privileged to come before this Committee on two previous occasions since 9-11, and I thank you for the invitation to speak today.

The last six years have been the most tumultuous in the history of the airline industry. The terrorist attacks of 9-11 nearly destroyed the industry, so much so that Congress had to take action, providing grants and loans to ensure its survival. Subsequently, the industry has experienced the loss of over one hundred thousand jobs. Airlines used the bankruptcy process to obtain onerous concessions from their workers. This has led to the outsourcing of jobs, further erosion of earnings, and the destruction of pension plans. Since 2001, 169,000 employees have

lost jobs in the industry and 195,500 hard-working employees and retirees saw their nest egg destroyed, their pensions shattered. This has devastated the morale and efficiency of those employees left working. Now that the reaction to 9-11 is behind us and the last two airlines remaining in bankruptcy are expected to emerge in the near future, the stage is set for the next chapter in our saga – industry consolidation.

The merger of two or more air carriers is not a simple process. There are many aspects to be considered in an airline merger; the integration of routes, consolidation of hubs, blending of aircraft and effects on competition and consumer pricing are but some of the many intricacies of a merger. Perhaps the biggest challenge in any merger is the integration of the workforce so that the newly merged carrier's employees can work most efficiently under common conditions. Rumors of a merger prompt endless speculations from industry analysts, insiders and casual observers. Mergers, however, don't fail or succeed on such speculation. Sound business and integration plans are essential if a merger is to be successful.

Carelessly proposing a merger could create such an atmosphere that the carriers involved may be adversely affected. In 2000, United Airlines assigned hundreds of management employees to coordinate its failed merger with US Airways. Instead of focusing on United's operations, tremendous resources were wasted on a merger that had little chance of success. The Machinists objected to the merger because management failed to plan for fair integration of the workforce, the meshing of maintenance programs and to develop stable business projections. Had management at the time listened to the Machinists Union, it would have been quite evident that the proposed United-US Airways merger was DOA. More importantly, it would have saved

the company hundreds of millions of dollars that may have been helpful in preventing the subsequent bankruptcy of that airline.

What constitutes a successful merger is debatable. In our opinion, a merger should be judged on its impact on employees, communities and passengers. Employees have been devastated in the past as a result of airline mergers. There must be a qualified management team with the requisite skills to facilitate a smooth integration of work groups from the different airlines. Otherwise, a merger could be disastrous.

When American Airlines purchased TWA out of bankruptcy in 2001, commitments were made to TWA employees. American's then CEO Donald Carty testified before this Committee and said, "We look forward to adding TWA's 20,000 employees to the American Airlines family," and that American was willing to make "commitments to the 20,000 TWA employees and their families that no one else would make." In spite of these assurances, the overwhelming majority of former TWA employees are no longer employed by American Airlines. Thousands of mechanics, ramp workers, customer service agents, flight attendants and pilots who were promised careers with American are no longer working in the industry. Additionally, furloughed former TWA flight attendants are now losing their recall rights for jobs at American.

Communities also often suffer in mergers. American Airlines promised the City of St. Louis that it would maintain TWA's hub operation at Lambert Field. That once bustling hub with over 300 flights per day has now been reduced to less than 100.

When considering the merger of two airlines, it is important to look at how their management has handled past mergers. In 2005, US Airways merged with America West Airlines. As a result of post-2001 restructuring, employees at both airlines suffered tremendous hardships. Since 9-11, US Airways' employees have been forced to endure two separate bankruptcies and three consecutive reductions in their wages and benefits.

US Airways has not yet negotiated a transition agreement with the Machinists Union that would merge the mechanic and related workforces of the two airlines. The failure to reach an agreement means the maintenance programs at America West and US Airways have yet to be integrated. Nor has the fleet service operation at the combined carrier been integrated. The failure to merge the groups has resulted in employees at the same airport doing the same job, but working under different work rules and receiving dissimilar wages and benefits. In our opinion, that is a very inefficient way to operate an airline, especially in today's cost conscious environment. This is clearly a recipe for turmoil.

In the midst of an incomplete merger, US Airways has now made a \$10 billion bid for Delta Airlines. The financial sacrifices of US Airways' employees are what put the airline in a position to make such a proposal. The employees' issues must be addressed at the bargaining table before US Airways can merge with any other airlines.

Proposed mergers must further be scrutinized to ensure that employees' hard earned nest eggs – their pensions – are preserved. The Machinists Union has members at US Airways, United Airlines, Aloha Airlines, British Airways, and Air Micronesia who still have a defined

benefit pension plan, the multi-employer IAM National Pension Plan. Our members at Northwest Airlines will participate in the same pension plan when that carrier emerges from bankruptcy. IAM-represented Continental Airlines flight attendants are currently voting to join the secure IAM National Pension Plan. Although the IAM has been successful in negotiating new pensions for our members, many other airline employees have lost the advantages of a defined benefit pension plan. At a time when airline-sponsored pension plans have either been terminated or underfunded, preserving existing pension plans, and extending benefits to employees without pensions, is a priority for the IAM.

We recommend that this Committee consider whether any merger could result in the termination of pension plans. The terminated plans would become the burden of the Pension Benefit Guaranty Corporation, which currently has an \$18.1 billion deficit. Ultimately, many of the workers affected by pension terminations will become the responsibility of the Federal and State governments.

The Machinists formed a Transportation Merger Team to protect the interests of IAM members affected by airline mergers. Comprised of employee representatives, attorneys, economists and research specialists, our team is prepared for any potential industry consolidation. We are also prepared to evaluate any proposed merger and determine whether it would serve the interests of our members, an airline's most important asset, and the interests of the flying public. For this to occur we need a transparent process that allows for information sharing. This can be accomplished while respecting the airlines' need for confidentiality. Once US Airways resolves its issues with integrating employees from its last merger, our team of

professionals is prepared to work with US Airways and any potential merger partners to evaluate future mergers. We know that when airlines are in trouble, the first people they look to for help are their employees. Let airlines demonstrate beforehand that the merger they are proposing will not have additional adverse effects on loyal employees.

There are numerous media reports of alleged merger talks between a number of carriers. United is rumored to be talking with Continental, Northwest with Delta, Continental with Northwest, United with Delta. A very significant question must be asked of any merger, "What happens if oil goes back to \$80.00 a barrel? Can these combined entities, with enormously increased debt, survive?" T. Boone Pickens, a well-known and successful oil trader, has publicly stated we will see \$100.00 per barrel before we see \$40.00 per barrel. Can a merged carrier survive under those circumstances?

Therefore, we will look at any proposed merger with those factors in mind. We urge this Committee to utilize similar criteria in evaluating whether any airline merger will be successful.

Mergers have been a part of the airline industry since its inception; however, airline consolidations are fraught with difficulties. The Machinists Union has been involved in nearly every airline merger since airline deregulation. We are prepared to protect the interests of all affected workers by working with airline management and the appropriate government bodies to avoid the pitfalls of previous mergers. To do so, we need (1) proper information, (2) a transparent process, and (3) a management team that demonstrates an ability to work with its employees. Without such a process, we will be left with no choice but to openly oppose any

merger that we determine to not be in the best interests of working people and their families, the flying public, and the airlines themselves. On behalf of the more than 100,000 airline workers who are members of the IAM, I implore you to work with the Machinists and other airline unions to ensure employees are not adversely affected by any airline mergers.

We are aware that some of the mergers being contemplated would have included greater foreign investment and control than is currently allowed. I thank Congress and especially this Committee for its work to stop the crusade to allow greater foreign control of U.S. airlines. I also thank the Committee for the opportunity to speak with you today. I am happy to answer any questions.