

TWA/American Airline Workforce Integration

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Witness:

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Ft. Worth, TX

Testimony:

Mr. Chairman and Members of the Committee:

Thank you for your invitation to speak on behalf of American Airlines. I am Jeff Brundage, Vice President of Employee Relations. I joined American Airlines in December 1999 after a career as a pilot and union leader. At American I was actively involved in the labor integration plan when the company acquired the assets of TWA in the spring of 2001.

As you know, these are extraordinarily difficult times in the U.S. airline industry. Since the events of September 11, 2001, the industry has lost more than 100,000 jobs and has suffered perhaps more than any other industry from the economic downturn, the effects of war and the threat of terrorism on travel.

So we certainly understand and appreciate your concern about the jobs lost and the effect on the people and the communities you represent.

Today, I want to use my time before you to offer a little background on American's acquisition of TWA's assets during the early part of 2001 and our efforts to provide jobs to 20,000 TWA employees who would have otherwise been facing the liquidation of their company.

It was always our intent to provide jobs to the TWA workers until their retirement, and we did everything we could to put our newest employees on par with all other American employees. In fact, we provided pay and benefits that represent one of the most generous employee packages in the history of corporate acquisitions.

Before TWA filed bankruptcy in January of 2001, it approached other major U.S. airlines about entering into some kind of transaction whereby TWA could continue to operate. Only American was willing to make a comprehensive proposal that saved the jobs of many TWA employees.

Under the asset purchase agreement, American voluntarily agreed to provide employment to all unionized TWA employees and to provide medical coverage to TWA retirees. The Bankruptcy Court found American's offer to be the only qualifying offer and approved the asset purchase agreement. The alternative was liquidation and the immediate unemployment of 20,000 TWA workers.

This is clearly and thoroughly documented in the written testimony of the Allied Pilots Association. As they point out, every court that has reviewed those transactions has agreed that there simply were no alternatives available to TWA workers.

Our goal was to successfully integrate the two airlines' workforces and combine our forces to build the largest, most successful airline in the world.

And we knew that we would not be successful unless we had the goodwill of the TWA employees. Indeed, from the very beginning, we offered TWA employees compensation and benefits that rewarded them as if they had worked their entire career at American.

- TWA were not brought on as new hires, and lost no pay, benefits, accrued vacation time or sick leave. We gave TWA employees full credit for their services for these purposes.
- As of January 2002, we put all TWA employees on American's pay scale. Indeed, because TWA pay rates had been significantly lower than those at American, the majority received a substantial pay increase.
- TWA employees also received the same travel privileges, pension benefits and retiree benefits we offer all American employees.
- Finally, we agreed to assume responsibility for the health benefits for TWA retirees, providing comprehensive benefits for more than 18,000 TWA workers who retired prior to the acquisition.

It is important to note again that this was not a merger. As we began the asset acquisition process, we had long-standing obligations to our existing workforce of more than 100,000 employees, and to the contracts negotiated with their unions. And as I just outlined, we did everything we could within the terms of those contracts to provide 20,000 TWA employees with the same pay and benefits we offered our existing employees.

But the challenge of integrating two workforces goes beyond matters of benefits and pay. It is the right and responsibility of the labor unions that represent our employees to negotiate on their memberships' behalf on a wide range of other contract provisions, including seniority and job protection that are at issue today.

This, as you can imagine, was a difficult situation for all involved. We had competing unions with competing interests. And ultimately, these matters were resolved as internal union matters. The company's role in the process was to use our best efforts to facilitate the seniority integration process. We did that. In fact, an independent arbitrator found that we met our best efforts commitment in the pilot integration.

Even though the seniority integrations varied with each work group – pilots, flight attendants and ground workers – American met its commitment to provide former TWA employees full credit for their years of service at TWA for all pay and benefit purposes. At the time of this asset acquisition, no one foresaw the industry's impending financial crisis -- a financial crisis that regrettably has led to the furloughing of so many employees throughout the industry, including at American.

Once again, no one could have predicted the events of 9/11, or the devastating financial fallout that followed. But the fact is that the unions negotiated and agreed to an integration plan that attempted to balance competing interests and preserve jobs.

Therefore, the ultimate consequences for the TWA employees were not the result of the integration plan, but rather an economic downturn that forced layoffs and cutbacks throughout the industry. The pain has been spread far and deep.

I appreciate the efforts of this Congress to provide aid to the airline industry and assistance to the tens of thousands of workers who have lost their jobs. I hope that we can all soon anticipate better times for U.S. airlines and their employees.

Thank you for your kind attention, and I will be happy to address your questions.