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94-102 ABOLISH THE AIRLINES' MUTUAL AID PACT AGREEMENT

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HEARINGS

BEFORE THE
SUBCOMMITTEE ON AVIATION
OF THE
COMMITTEE ON COMMERCE
UNITED STATES SENATE
NINETY-FOURTH CONGRESS

FIRST SESSION

ON

S. 306


TO TERMINATE THE AIRLINES MUTUAL AID PACT AGREEMENT

APRIL 23, 24, AND OCTOBER 8, 1975

Serial No. 94-102

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ABOLISH THE AIRLINES' MUTUAL AID PACT AGREEMENT

WEDNESDAY, APRIL 23, 1975

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 5110, Dirksen Senate Office Building, Hon. Howard W. Cannon (chairman of the subcommittee) presiding.

OPENING STATEMENT BY SENATOR CANNON

Senator CANNON. The committee will come to order. Today's hearing is on S. 306, introduced by Senator Gravel and others, which would by law abolish the Airlines' Mutual Aid Pact Agreement.

Briefly, the pact was established by six trunk airlines in 1958 with the approval of the Civil Aeronautics Board. (CAB). The purpose of the agreement is to provide, for the agreed carriers, a source of revenues to any air carrier member of the pact who suffers a strike or work stoppage as a result of a labor dispute.

In the intervening years since 1958, the pact has been modified by airline participants numerous times, each time with the approval of the CAB. At present the great majority of the trunk and local service airlines are parties to the agreement. In an attempt to strike down the pact, the Air Line Pilots Association and others have contested the matters before the Board and in the courts. Recently the U.S. Supreme Court refused to hear an appeal of a decision of the U.S. Court of Appeals which refused to overturn CAB approval of the agreement.

In effect, the labor organizations who oppose the pact have exhausted their administrative and judicial remedies and are now appealing directly to Congress to abolish the pact by law, claiming that its continued existence is contrary to the public interest and provides an unfair advantage to airline management in labor relations.

This is the issue raised by S. 306 and the matter we will be considering the 2 days of hearings before the subcommittee. Today we will hear from proponents of the legislation to abolish the agreement and tomorrow we will hear from industry representatives who will defend the pact.

[The bill and agency comments follow:]

[S. 306, 94th Cong., 1st sess.]

A BILL To terminate the airlines mutual aid agreement

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 412 of the Federal Aviation Act of 1958 (49 U.S.C. 1382) is amended by adding the following new subsection:

"(c) The airlines mutual aid agreement approved by the Board in docket 9977 is adverse to the public interest and hereby terminated."

Staff members assigned to these hearings: Robert Ginther and John Kirtland.

SEC. 2. The amendments made by this Act shall become effective on the date of enactment.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C., November 26, 1975.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department of Labor on S. 306, a bill "To terminate the airlines mutual aid agreement."

The bill would amend section 412 of the Federal Aviation Act of 1958 (49 U.S.C. 1382) by declaring the Airlines Mutual Aid Agreement approved by the Civil Aeronautics Board (CAB) adverse to the public interest and therefore terminated. A mutual aid agreement provides for financial assistance from member carriers to any participating airline struck by a labor union.

Section 412 of the Federal Aviation Act provides that the CAB is responsible for reviewing and approving any agreement made by a carrier which affects air transportation. The CAB may approve such an agreement unless it is found to be adverse to the public interest. Any CAB decision in this regard is subject to review in a U.S. Court of Appeals.

The CAB decision approving the Airlines Mutual Aid Agreement, CAB Order 73-2-110, Feb. 27, 1973, Joint App. 225a, was affirmed by the U.S. Court of Appeals for the District of Columbia, *Air Line Pilots Ass'n. Int'l v. CAB*, 502 F. 2d 453 (D.C. Cir. 1975); and review was denied by the Supreme Court, *cert. denied*, 420 U.S. 972 (1975).

S. 306 would not eliminate the question of the propriety of mutual aid agreements. The statutory provisions permitting CAB review of and decision on such agreements would remain untouched. The airlines could therefore negotiate another agreement of this type and the CAB could again approve it. Judicial action could again be initiated. This bill would not, therefore, resolve the major questions surrounding such an agreement.

The Department of Labor withholds comment on this bill at this time because the CAB has already expressed its intent to evaluate the effect of the amended provisions of the pact on airlines labor relations. Further, the Department feels it would be inappropriate to comment on the mutual aid agreement while a strike of the flight attendants against National Airlines, a member of the existing agreement, is currently in progress.

The Office of Management and Budget advises that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

JOHN T. DUNLOP,
Secretary of Labor.

Senator CANNON. Our first witness this morning is the Senator from Alaska, the Hon. Mike Gravel.

STATEMENT OF HON. MIKE GRAVEL, U.S. SENATOR FROM ALASKA

Senator GRAVEL. Thank you very much, Mr. Chairman. I took the liberty to ask Congressman Joe Karth, who is following me, to join me at the table, and I would like to stay here during his testimony.

Senator CANNON. Fine, we are delighted to have Congressman Karth here this morning.

Senator GRAVEL. I would like to ask a personal courtesy in the course of the presentation we will make as Members of Congress, and members of labor that will follow us. We have been working very closely together, and I notice in the way it has been laid out that Mr. Biemiller comes forth. He was to present sort of an overall view to our posture.

Senator CANNON. He will follow the congressional witnesses.

Senator GRAVEL. We appreciate that very much, Mr. Chairman. My statement is only four pages and I would like to read it, and I do want to underscore the very fine statement of Congressman Karth, that I have had a chance to review. He has really been a leader in this field, and I commend him for what I think is a very sound position.

We now have nine cosponsors in the Senate, Senators Bayh, Case, Clark, Haskell, Humphrey, McGovern, Metcalf, Mondale, and Schweiker, and others have shown a great interest in this.

In order to understand the full impact of the Airline Mutual Aid Pact, it is necessary to place it within the context of the overall thrust of American transportation and labor policy.

From the enactment of the Railway Labor Act in 1926 to the extension of its provisions to the airline industry in 1936, national policy has reflected the unique character and relationship of transportation to the national welfare.

Congress has consistently legislated that, while the rights of business and labor must be respected and protected, every effort must be made to avoid strikes and failing that to assure that strikes are short in duration.

The major purpose of the Railway Labor Act as stated in section 2(1) is "to avoid any interruption to commerce or to the operation of any carrier engaged therein." The act exerts pressure on both management and labor to make and maintain agreements. Regulation of the industry is far more stringent than it would be under the Taft-Hartley Act or the Wagner Act. The Railway Labor Act is the best example of the codification of compulsory arbitration that we have in American law for the settlement of minor disputes.

Today unions are an accepted and integral part of America's social, political, and economic life. The bloody disputes between labor and management of 100 years ago that revolved around the railroad, steel, and coal industries are finished and will never be repeated.

The days of the strikebreakers and the mandatory 10-hour day, 7-day workweek are gone. Sweatshop conditions have been eliminated.

Child labor limitations, increased safety standards, minimum wage measures, laws safeguarding basic human rights, and the collective-bargaining process are now cornerstones of American rights. Today disputes are largely a question of degree, not of basic philosophy.

The Federal Government's role in labor negotiations is supplemental, except in wartime. The Congress establishes basic rules, sets minimum standards, and assures that in collective bargaining the scales are not unfairly tipped one way or another.

It is against this background that we should view the Airline Mutual Aid Pact.

The pact was created in 1958 by the six largest trunkline carriers in the United States (American, Eastern, Capital, Pan American, Trans World Airlines, and United). Its original purpose was to provide a source of income from the revenues of pact members to a member whose employees were on an illegal strike.

These payments called windfall payments were modest. They consisted solely of the increased revenues, minus expenses that accrued to the nonstruck pact members who flew routes that directly competed with the struck member's routes.

Of course, the pact evolved into something quite different. Originally, these payments were made only when one of three mechanisms activated the pact. They were: When strikes called by the unions were due to demands that exceeded or opposed the recommendations of the Presidential Emergency Board created by the Railway Labor Act; when strikes were called before exhaustion of the prestrike procedures of the act or; in cases of what was nebulously referred to as otherwise unlawful strikes.

The pact has undergone radical changes since its creation. The airlines made several self-serving additions between 1959 and 1964, including:

1. Payments beginning with the onset of any strike;
2. The addition of supplemental payments to windfall payments.

The combination of these two payments guaranteed the struck carrier a recovery of 25 percent of its normal operating expenses.

In 1969 MAP supplemental payments were again increased to guarantee that such compensation when combined with windfall payments would total 50 percent of the struck airlines' normal operating expenses for the first 2 weeks of the strike; this figure decreased to 45 percent for the 3d week, 40 percent for the 4th week, and 35 percent thereafter until the strike was settled.

As Congressman Karth's statement explains, airline expenses during a strike amount to around 30 percent.

In 1970 local service carriers or regional carriers were admitted to the pact.

Unfortunately the CAB and the courts have ruled that the mutual aid pact is not illegal. Administrative and judicial remedies have been exhausted. The matter now rests in the Congress. We must decide if the continuation of MAP is good public policy and if it treats all involved—the general public, the working man and woman, and the airlines—in a manner consistent with national transportation and labor policy, and, of course, with equity. The havoc the Mutual Aid Pact wreaks on even the most traditional concepts of collective bargaining is obvious.

Collective bargaining works only when financial necessity forces both sides to an agreement. If the financial pressure is removed from one side, there is no incentive to seriously bargain prior to, or immediately after, contract expiration.

MAP has clearly removed this pressure from the airlines in allowing the payment of up to 50 percent of normal operating expenses at the time when the airline does not have normal operating costs.

It has about 30 percent operating expenses. The widely accepted estimate of labor costs in the airline industry is 50 percent. These expenses are nonexistent during a strike.

During a strike, airline employees may temporarily receive minimal strike benefits. However, airlines receive millions of dollars in payment for the strike. MAP payments, to date, total more than \$320 million. Payments are so large that very often airlines make a profit during the strike period.

During the 1970 strike against National Airlines, the carrier showed a net profit of \$810,000 due to receipt of \$28 million in mutual aid income.

In 1970, Northwest Airlines showed a yearend profit of \$44 million despite a 5-month strike by airline clerks. During the walkout Northwest received \$47.3 million in MAP payments.

Northwest also received \$43.6 million in payments during a 1972 strike by the airline pilots that lasted 95 days. At the end of the year, the company showed a \$17.2 million profit. Clearly it would not have done as well without the MAP compensation.

In referring to the 1973 strike TWA board chairman C. C. Tillinghast, Jr., stated:

TWA's profits for 1973 would be better off if the strike were not settled before yearend. Should the strike end now, Mutual Aid income would end and all expenses would resume.

TWA received \$74.4 million from MAP coffers during the strike.

Ozark Airlines president, Edward Crane, stated on April 26, 1973, that:

As a result primarily of the Airline Mutual Aid Pact, we do not anticipate suffering a loss of any significance during the strike.

The Airline Mutual Aid Pact has clearly removed from the airlines the crucial ingredient in the collective bargaining process—the fear of financial loss or disaster—while the benefits available to the union members remain extremely low or nonexistent.

The pact, therefore, runs counter to American labor policy.

MAP thwarts the goals of national transportation policy as the removal of financial fear from the collective bargaining process has reduced the desire of the airlines to seriously bargain prior to, or immediately after, contract termination. As a result, the duration of airline strikes has lengthened dramatically.

The nonairline work stoppages have averaged between 22 and 27 days since 1958. Let me repeat that again, Mr. Chairman. In non-airline work, the average work stoppage has been between 22 and 27 days since 1958.

Prior to the adoption of the pact, work stoppages in the airline industry averaged 15 days. Obviously quite below the national average.

From October 1958, the date of the first strike after the introduction of MAP, until May 1961, the mean strike duration was 22 days.

Strikes that occurred after the 1962 MAP amendment increases averaged 27 days. From January 1970 through November 1974 strikes averaged 102 days. This figure excludes a 2-day strike by ALPA against Braniff and the 1 day TWA-TWU strike.

Clearly strike duration has gone from 15 day average, Mr. Chairman; and as the pact developed giving larger financial payments to its members, strikes increased all the way to 102 days in length.

Work stoppages among local service carriers averaged 15.5 days during the 12-year period prior to their inclusion in MAP. Since their inclusion in 1970, work stoppages involving local carriers have averaged 117 days.

MAP has proved counterproductive to good, sound national transportation policy. It has encouraged longer strikes causing great inconvenience to the traveling public and hardship on the airline employees.

I want to underscore "to the traveling public." It should be the goal of Congress to facilitate greater service and convenience to the traveling public.

Therefore, I am extremely hopeful that this committee will favorably report S. 306 and that this Congress will abolish the Airline Mutual Aid Pact.

Thank you, Mr. Chairman.

Senator CANNON. Thank you, Senator Gravel, for your statement. You state that nominal labor expenses are nonexistent during a strike, and further that mutual aid pact payments pay 50 percent of the carrier's operating expenses and thus have removed the strike pressure from the airline.

Of course, it isn't true that a struck carrier has no labor cost. Much of its administrative and clerical work force continues to work during the strike, thus refuting your statement that labor expenses were nonexistent during a strike.

Senator GRAVEL. What paragraph was that in, Mr. Chairman?

Senator CANNON. You said in the fourth paragraph down, MAP has clearly removed the crucial pressure in the airlines which allowed the payment of 50 percent to 35 percent of normal operating expenses at a time when the airlines do not have normal operating expenses.

Senator GRAVEL. I had stated extemporaneously Mr. Chairman, that the cost of labor at that point was about 30 percent. That is why I added that.

Senator CANNON. You claim in your statement that the mutual aid pact payments are so large that an airline can make a profit during a strike period as well as during a year of a prolonged strike.

Now are you aware that the CAB on the basis of the factual record rejected that contention by saying the so-called short term benefits of mutual aid fall far short of real profits.

Losses from strikes despite mutual aid payments remain substantial and continue to exert tremendous economic pressure on the carrier's side of the bargaining table. That was the finding of the Board.

Senator GRAVEL. I don't know how they found that, but I am prepared to say that the CAB is wrong in its judgment. One of the Board members recently stated, and I think Congressman Karth has that statement in his presentation, that there was profit as a result of the existence of the pact.

The statement I quoted from the board chairman of TWA was to the effect that year end figures would show a profit as a result of mutual aid payments.

I don't know how the CAB can overlook it. One of the examples I had, showed that the airline made an \$810,000 profit, and it received \$28 million in mutual aid income.

Obviously MAP payments affected the profit margin.

Senator CANNON. You are saying that without the aid, they would have had a net loss. I think that is true.

Senator GRAVEL. You are darned right.

Senator CANNON. But that does not prove that they have made a profit from the mutual aid pact. In other words, their costs could far exceed the amount of reimbursement. You testified that in the 1970 strike against National, the carrier experienced a net profit of

\$810,000 for the 4-month strike period following receipt of \$28 million in mutual aid payments.

Based on the factual record, the Civil Aeronautics Board found that National suffered total strike losses of \$47.4 million against mutual aid receipts of \$28 million.

That is from the CAB record. In other words, they suffered losses far, far in excess of the entire amount that they received from the reimbursement.

Senator GRAVEL. Mr. Chairman, you are giving the CAB record the cloak of authority.

Senator CANNON. Well, they had an investigation on it, and it went into the courts and as you know, the courts sustained this.

Senator GRAVEL. But also this is information provided by the airlines, to which I am not privy. All I can say is that this year they made a profit and they were on strike.

If after a year's period of time during which the unions were on strike and the airline wound up making a profit, I think it is reasonable to assume that the airline made a profit as a result of the payments that came from that strike.

Otherwise, there would have been a loss.

Senator CANNON. But your implication is that they profited because of the strike, and that is not the fact. That is not what the Board found. You also testified that in 1970, Northwest Airlines showed a yearend profit of \$44 million despite the 5-month strike by airline clerks.

During the strike, Northwest received \$47.3 million in MAP payments. Based on the factual record, the CAB found that Northwest suffered total strike losses of \$87.5 million against mutual aid receipts of \$47.3 million, so there their losses were almost double the amount of reimbursement they received.

Senator GRAVEL. There is no question that the airlines make more money flying, but there is also no question that MAP allows airlines to profit when they are on strike. I think, Mr. Chairman, we would have to have from the committee for our enlightenment a greater examination of what those costs were and how they were figured. You are telling us, you know what is involved.

What I stated is that the cost of labor is about 30 percent.

The airlines being paid 50 percent, coming out of the MAP fund. So obviously there is a 20-percent profit right there that they can have over labor costs.

Senator CANNON. You have said that you don't have access to this information.

Senator GRAVEL. No; I did not say I didn't have access.

Senator CANNON. This was put out by the Board, and it is public record, I will read to you from it.

"National suffered total strike losses of \$47.4 million. Six million estimated normal profits; \$27.2 million strike period losses, and \$14.2 million poststrike losses against mutual aid receipts of \$28 million. Northwest suffered total strike losses of \$87.5 million; \$29.3 million estimated normal profit, \$29.3 million strike period losses, and \$28.9 million of poststrike losses against mutual aid receipts of \$47.3 million." That is from the public record.

Senator GRAVEL. Is that a submission by the airlines, or was that developed by the CAB?

Senator CANNON. This is an official meeting of the CAB and it was published in 1973, March 5—well, I don't know when. It was February 27, 1973.

Senator GRAVEL. Well, Mr. Chairman, I don't know how they developed the figures. I think that would be very important. I think it certainly would not be the first time that a regulatory agency could be co-opted by an industry. All I can say is that I would like to see how they collected the figures. I would like to know if the CAB just took handouts from the industry as to what the airlines suffered and put it on Government paper, thus giving it the guise of officialdom.

I think we should know that. However, if the CAB made a meticulous audit as to what the companies suffered, we should know that, too.

Senator CANNON. If you are not willing to accept the findings of the CAB, I would like to ask you if you think the court of appeals knows what it is doing. In your statement, you say that the Mutual Aid Pact therefore runs counter to American labor policy.

Now in the decision of the U.S. Court of Appeals, for the D.C. Circuit of August 8, 1974, the court said, "We find the Board approval of the pact as analyzed fully consistent with the national labor policy and the Railway Labor Act."

I repeat "Fully consistent with the national labor policy and the Railway Labor Act." We conclude that the findings on which the Board rested its decision are adequately supported and the results reached were reasonable.

That is the court of appeals statement from the CAB's record.

Senator GRAVEL. Mr. Chairman, you would not want me to read to you the decision on the Child Labor Act around the turn of the century when they ruled it good labor policy to have 12-year-old children in the coal mines for 12 hours a day.

What you are doing is saying there are some judges who believe that this is good labor policy. I think based on our views, and this is the case we are making, this is bad labor policy for the Nation.

I would be interested to know what the vote was on the court of appeals, whether it was a tie vote, or whether it was unanimous.

Senator CANNON. I frankly have not the slightest idea, but I know the Supreme Court refused to overturn the findings of the circuit court of appeals. So you have the decision of the circuit court and the Supreme Court deciding against reviewing it, overturning it, or considering it.

Senator GRAVEL. All the more reason why we in the Congress have to make a decision on this subject. The labor groups have been to the courts because they thought there was some succor that could be secured through the courts, and the reason they come before us is that they can get justice no place else.

Senator CANNON. I agree with you there, that this is the proper procedure and they have exhausted their judicial remedies. I was just pointing out that neither the Board nor the Courts agree with your statement that the mutual aid pact therefore runs counter to American labor policy.

Senator GRAVEL. I would say, Mr. Chairman, that the Board should be concerned with the fact that the duration of strikes, have gone

from an average of 15 days to over 100 days. I think any lay person could realize that is not good labor policy to permit this to happen.

That is what has happened as a result of the mutual aid pact.

Senator CANNON. The Board examined two of the strikes to which you referred, and found specifically that the record does not support your allegation. The Board said in the national strike, the carrier accepted the National Mediation Board offer of arbitration prior to the commencement of strike, but such offer of arbitration was rejected by the union.

In the Northwest strike, the union rejected arbitration while the company had it under consideration. It appears in both cases that the unions and not the mutual aid pact had something to do with the reason for the prolonged strike because of their refusal to accept arbitration, which, of course, would have helped end it.

Senator GRAVEL. The unions were represented by the same people before the pact came into being, and the airlines were represented by the same people before the pact was brought into play.

I find it pretty difficult to understand a convoluted reason that the increase is because of the capriciousness on the part of the unions and not because of the fact that management now has a device to cushion itself from the ill effects of a strike.

All I am saying is that as a result of MAP, work stoppages have increased from 15 days to over 100 days.

You can say that is the fault of the labor negotiators, but these same negotiators were there before MAP. They are the same individuals. Why should they all of a sudden turn capricious, and why should one side be charged with being more capricious than another side?

I am not intervening in that. I say as a citizen, I have seen the work stoppage go from 15 days to over 100 days. I do not want to get into the personalities—

Senator CANNON. That was one of the precise issues that the Board did get into. That is one of the things that the Board looked at specifically.

Senator GRAVEL. The Board has a habit of not looking at the final report card, and that, to the American people, is 15 days work stoppage versus over 100 days.

Maybe they did not do a good job of looking at the intricacies of the issue.

Senator CANNON. I do not think you have had the opportunity to see this, but some of the testimony that has been submitted and will be presented tomorrow is here, and I will quote two of the statements for the record.

In 1972, ALPA struck Northwest after spurning a pre-strike offer of wage and benefit increases of some 27 percent over three years which substantially exceeded then prevailing wage stabilization phase guidelines.

ALPA had a demand for a 60 percent cost increase. On the eve of the strike, union demands still numbered 252, with a cost impact of 45 percent for a one-year term. A subsequent company offer only two days after the strike began, representing an increase of 30 percent, was likewise rejected and the strike continued for 94 days.

During much of this period, neither the company nor government mediators were able to determine the realistic bargaining demands of the union.

The final settlement represented a 32 percent increase for a three-year term, or about ten percent per year.

In 1970, the Airline Employees Association representing clerks and agents struck National for almost 4 months. In that dispute, the union first demanded a 15 percent annual increase in wages.

After 10 months of negotiation and mediation and only 4 days before the strike, ALEA increased its wage demands to 23 percent annually.

Two weeks after the strike began, the union again increased its wage demand, this time to 26 percent annually. For its part, National management offered increases of eight and a half percent annually in an effort to avert the strike and proposed a variety of methods for settlement, all of which were rejected by the union.

The final settlement on wages was for increases of ten and a half percent annually, as suggested at that time by the Assistant Secretary of Labor.

Even the Air Line Pilots Association, of which ALEA is an affiliate, could not refrain from publicly criticizing the striking union in this case.

Now, if that testimony is correct, it would appear that you couldn't very well contend that the airlines were not bargaining in good faith in an effort to avoid strikes.

Also, I have checked on some of the pay situations. I wonder if you are aware that airline employees on the average are the highest paid workers in American industry? It doesn't appear that this agreement has necessarily victimized them.

In 1973, the latest year for which figures are available, the average airline employee made \$17,055 in a year, while the average for all U.S. industry was \$10,349. Those are national statistical figures.

Senator GRAVEL. For some reason, Mr. Chairman, members of the airline industry did not supply me with an advance copy of their text.

Senator CANNON. What I read was from their testimony.

Senator GRAVEL. Yes. For some reason, they did not give it to me yesterday so I would have a chance to read it and make comment on it, so it is new information to me.

Senator CANNON. The wage figures are public figures, from the BLS. You have the same access to them I do.

Senator GRAVEL. You are reading from the industry testimony to be given tomorrow?

Senator CANNON. Yes.

Senator GRAVEL. So it is information they gave you that they did not give me. But, be that as it may, let me go back to the point I made earlier.

You are going to have before you some very able people from labor and industry who have a disagreement on MAP.

This committee, because of your generosity, is going to hear both sides. But, the questions to me as a policymaker, and I think the questions you want to address are of the effect of the mutual aid pact on national labor and transportation policy.

I was not present at the negotiations. This committee was not at the negotiations. We do not know who is at fault, whether it is the labor negotiator and his personality, or the industry negotiator and his personality, or the capriciousness of one side or the other.

All I know is that as a member of Congress and as a person representing my State, the American people have been an aggrieved party as a result of these strikes, and I want to see an end to that. When I see the facts, that the length of work stoppages have increased, and there is a correlation between the existence of the mutual aid pact and the increase in the work stoppages which cannot be disputed, then there is only one conclusion that I can come to, and that is, that the mutual aid pact has fostered the increased length of work stoppages.

Now, to counter that argument—those facts which are irrefutable—and say it was because the details of the negotiation caused the problem is hard for me to believe.

There are labor disputes in the steel industry and the automobile industry and all the rest of American industry, and the average strike when they occur is between 22 and 27 days.

So, obviously, something is wrong in the airline industry.

What I am interested in is what happens to the traveling public. I believe the traveling public is getting the short end of the stick as a result of the mutual aid pact. The traveling public demands convenience.

It is our responsibility to see that they have it, and not have a situation in which planes are locked up for months, in which human beings cannot feed their families properly or meet their financial obligations because they are not permitted to work because of these disputes.

It is time for us to act, Mr. Chairman, and I hope the committee will act constructively to solve a very serious transportation problem in this country.

Senator CANNON. Congressman Karth, do you want to proceed with your statement?

Senator GRAVEL. Thank you.

**STATEMENT OF HON. JOSEPH E. KARTH, U.S. REPRESENTATIVE
FROM THE FOURTH DISTRICT OF MINNESOTA**

Mr. KARTH. Thank you very much, Mr. Chairman. It is a privilege to appear as one of your very first witnesses, and I want you to know that I am grateful.

Senator Gravel, allow me to express my thanks to you for letting me sit at the witness table with you.

After having been in Congress 17 years, I know there are severe limits on your time, as there are on mine. I should be in the House Ways and Means Committee now, marking up the energy bill.

I know you and Senator Hartke and others serve on three or four committees and seven or eight subcommittees, and as a result of that, there is never enough time in the day.

Because my testimony is comprehensive, I am going to ask permission that it be put in the record as if given.

Senator CANNON. It will be made part of the record.

Mr. KARTH. Thank you, Mr. Chairman.

I am happy to report that since the Congress went into session there are now 72 individual House sponsors of this bill. Let me say beyond that that if the airlines' mutual aid agreement had been a legislatively enacted piece of law, it would have been notorious over the past 16 years as one of the worst laws passed by the Congress of the United States, and certainly, one of the very worst in recent, modern times.

That can be said with no exaggeration, because the mutual aid pact, known as MAP, has developed into a government-sanctioned monstrosity that is not just antilabor, but it is also antipublic.

It is anticonsumer; it is anticomunity, and, Mr. Chairman, it is even antishareholder.

The subcommittee has an impressive list of witnesses who will document details with respect to the way in which MAP has not only served to strangle collective bargaining but has in some cases needlessly or callously induced or prolonged labor disputes and strikes.

My prepared testimony also deals with this intensifying problem, but this morning I would like to focus attention on the damage MAP has inflicted and doubtless will continue to inflict on airline customers, the public, individual businesses, and shareholders alike.

From the modest and small beginnings as a plan to "rescue" a minor airline from its financial difficulties some 16 years ago, MAP has mushroomed into a far-flung industry-wide enterprise which has enabled the airlines to pay each other \$360 million in strike benefits over the past 16 years.

Sanctioned and encouraged by the CAB an agency is established, if you will, to protect the public, MAP has grown to the size where today it can and does guarantee substantial profits to a strikebound air carrier.

With CAB approval, MAP now reimburses a struck airline for 50 percent of its pre-strike operating costs for the first 2 weeks of shutdown, and lesser amounts in following weeks.

A CAB hearing examiner, and this is the one Senator Gravel was alluding to, in a decision involving MAP has made the unchallenged statement that, "During a full shutdown, a struck carrier can limit its operating expenses to 29.2 percent of the normal level." Right there of course is where we meet the strike-producing, strike-prolonging guaranteed profits.

During the first 2 weeks of shutdown the carriers are guaranteed a profit of almost 20 percent, graduated down to 6 percent for whatever time the strike lasts. There is nothing quite like this anywhere else in American industry or business, regardless of what the Court found, and I think it could have the tendency to eliminate totally management's incentive to engage in good faith bargaining.

Again the CAB hearing examiner mentioned above, and he was Administrative Judge Arthur Present, recommended in 1972 that CAB not approve higher strike payments because they could have the effect of encouraging an airline to induce or prolong a dispute in view of the short term benefits of the MAP payments.

I think it was shortly before the election in 1972, Mr. Chairman, if you don't mind my saying so, when rumor was rampant that the strike benefits were going to be reduced by MAP, cut 50 percent if I remember the figure accurately.

It wasn't done until after the election. That is, CAB did not take action until after the election, and then instead of reducing the benefits, they increased them. I am not going to suggest why that came about, or how it came about, except to say that then it did come about.

Mr. Chairman, here is the story in part of what MAP strike benefits have done, and I am sorry to be repetitious, because Senator Gravel has already mentioned some of these figures, but I think they were worthy of note and repetition.

Between 1962 and 1969, 10 strikes against MAP affiliates brought the air carriers \$87 million in payments.

Between 1969 and 1973, after benefits had been increased, eight struck airlines picked up payments totalling \$213 million, clearly showing the snowballing effect of MAP.

Northwest Airlines, struck for a long period in 1970, collected more than \$47 million in MAP payments and was able to chalk up an \$18 million profit for the strike period.

A 105 day strike against National last year enabled National to bank \$43 million in MAP payments and show a third quarter profit, during the strike, of \$2,300,000.

Only three airlines have failed to show a profit after MAP subsidized strikes. Two of the three were in financial trouble before the strike, and shortly after the strike they were merged with larger carriers.

Last, but certainly not least, Mr. Chairman, and I am going to try to find it, because it is in my prepared text, Mr. C. C. Tillinghast, chairman of the board of Trans World Airlines, talking about whether or not strikes are a source of profit—by means of MAP as it has been authorized by the CAB—C. C. Tillinghast, chairman of Trans World Airlines, admitted, and this got widespread newspaper publicity, that strikes have become a source of profit for the airlines.

He told a Honolulu newspaper reporter that the longer a flight attendants' strike continued, the higher TWA profits would be for 1973. This was the strike in which TWA received more than \$2 million a day from MAP. There is much more evidence along this line, Mr. Chairman, and it is strongly reinforced by the longer duration of strikes since the start of MAP.

In 1958 when MAP was organized, airline strikes, as Senator Gravel has mentioned, lasted an average of 30 days. Today's strikes in the airline industry last more than a hundred days. That is a soaring increase of more than 200 percent since this MAP program was spawned.

Turning now to MAP's damage to communities the needless prolongation of strikes by MAP has caused heavy economic damage, especially to communities served by a single airline, and there is a great deal of evidence to that effect.

We have learned about airports in single-airline communities being almost completely shut down with, of course, the throwing out of work of airport personnel, maintenance workers and employees of restaurants, rent-a-car agencies, freight-forwarding firms, and buslines.

Factories in such communities have in many instances had to close because machinery replacement parts could not be gotten by air freight, and Fargo, N. Dak. was so badly hurt by the Northwest Airlines strike that the city government asked CAB to rescind Northwest's certificate and issue a new one to another airline.

A situation similar to that in North Dakota has been documented in Texas, New Mexico, Louisiana, and elsewhere. Unnecessarily prolonged strikes attributable to MAP have been protested by cities in a number of States and the New Mexico State Legislature, not too far from your State, Senator, strongly criticized MAP as the result of a strike last year and did in fact ask for a congressional investigation.

On MAP's injury to shareholders, it is generally agreed that airline shareholders know little or nothing about MAP, and if they did it is possible they would be highly critical of management for being a party to it.

Stockholders are victimized, especially the shareholders of airlines which are required to contribute millions of dollars to the airline that happens to be shut down. They can and do suffer dividend losses and in some cases lose them all together.

We have documented a case where an airline's profits were changed into losses by MAP payments, and other cases where as much as 87 percent of MAP payments came from airlines that were suffering a loss.

This is not my personal judgment alone, Mr. Chairman.

A Library of Congress pro and con study has found "the mutual aid pact is a threat to the financial health of member carriers" and in my prepared text, I quote the Library of Congress study in addition to that.

As further evidence, Pan Am, as has been publicized is now in the process of withdrawing from MAP after having paid out more than \$20 million in strike benefits.

On the effects of MAP on individual citizens, MAP's prolonged strikes have unquestionably disrupted individual citizens' lives. In some cases commuting schedules for businessmen and others have been wiped out.

Vacations have been canceled, trips to doctors were sometimes made possible, and when deaths in the family occurred, bereaved relatives were delayed by having to travel by bus or car. Some even missed the funeral, Mr. Chairman. Also missed were shipments of drugs and foods.

Almost no section of our society has been spared the damaging effects of MAP-induced and MAP-prolonged strikes.

This subcommittee can take the first important and long overdue step toward halting the victimization of airline customers, shareholders and workers alike by acting favorably on the proposed legislation now before them.

Thank you, Mr. Chairman. I really do appreciate the opportunity to appear before you.

Senator CANNON. Thank you for a very fine statement. I have read most of it—not all of it, but I will go through it all, and it will be made a part of the record.

I thought the record should be corrected in one particular instance, however. You indicated that the study by the Library of Congress was supportive of what you said in your statement. That is not the case. The Library of Congress statement is only a statement of what the issue is, and the arguments for and against.

You have just lifted out what the arguments against it were and that was not the conclusion of the Library of Congress. They made no conclusions.

Mr. KARTH. Yes, sir, Senator, you are absolutely correct. It did not make conclusions. But I think those parts I lifted out of their statement are very persuasive indeed.

Senator CANNON. They certainly were valid arguments that were made against it, but I did want to make clear that that was not the conclusion of the Library of Congress. The Library of Congress just stated the pros and cons and did an informative study on that.

Mr. KARTH. I agree with that.

Senator CANNON. Senator Hartke?

Senator HARTKE. I think both you gentlemen ought to be congratulated for bringing this matter to the attention of the Congress. The situation here is not whether the CAB and the court ruled one way. The question is whether you believe in the right of organized labor to strike. That is all there is to it. If you are against it, then you will be

against this legislation. If you are for it, you will be for this legislation, and you know, what you said, and you thought, Senator Gravel, instead of arguing all the details which I thought was very fine, but you are exactly right.

The whole essence of the discussion between labor and management is their disagreement. We recognize that in this country you cannot settle it in a collective bargaining process. The right to strike is a legitimate democratic process, and what you are saying here is that you are vitiating that right to strike, and you can't do that by public policy, you can't vitiate it.

That argument is before us at the present time, but I do not see any reason to continue to have the taxpayers pay for the side of organized management against organized labor. If I were a stockholder, I would be suing everyone of these major airlines right now for taking my money and using it for a purpose which is not within the purview of their charter. I can't see why the stockholders don't do it. How the Congress can continue to even agree to pay airline subsidy money and at the same time permit them to use this in this purpose is surprising. The second thing, I am one of the minority that voted to give aid to Pan Am. I voted to give aid to that outfit, for which some people said, "Well, you know, you are helping out industry." Yes, I want to help industry, but industry ought to help itself, and one of the real problems of industry today is that they want to complain about the regulatory agencies.

What they ought to do is complain about their own management. That is their problem. Their managements are the ones that are deficient. It is high time that they recognized that part of their problem is they themselves. They want to blame somebody else.

Two things about the average pay of an airline employee, \$17,055. I wish all the employees got high pay, because they pay higher taxes. The average employee would pay \$3,038 in taxes on that \$17,000. With the deficit at the present time, it is a good thing to have some people at least paying some taxes.

Mr. KARTH. Senator, may I say, sir, that it is true that the airline industry employees generally are fairly well paid. They are very highly skilled workers, and you know, I feel extremely comfortable while I am flying in an airplane and that pilot is being paid \$40,000 or more a year. I would feel so much less comfortable if he were paid \$10,000.

Senator CANNON. If you are flying in one where the pilot is only paid \$40,000, you had better take another look at it.

Mr. KARTH. Whatever he is paid, Senator, it makes me feel comfortable. It also makes me feel comfortable, sir, when I know that those repairing the engines, or doing the annual overhaul, or whenever the overhaul is done, are the most highly skilled mechanics.

It makes me feel comfortable and confident when I get into those planes.

Senator GRAVEL. High pay only means you have high suffering when you have no pay, and that is obviously what we are talking about here, is the degree of work stoppage.

Pan Am got out of the mutual aid pact before they came to us in this for succor because they knew they could not wash that kind of linen in Washington. They got \$20 million. Why doesn't Uncle Sam sue them and get the \$20 million back?

You would have to go after the other airlines.

Senator HARTKE. Let's go after them. I would be really put out to be arguing that issue, which was really decided in about 1910 and 1920, and here we are arguing that same issue over and over again. I thought we were a more mature Nation than that, and if we are not, and I can tell you, and I will tell it to the president and the board of directors of the airlines.

They themselves bring on most of their own troubles, and I just think it is high time that they stopped trying to bleed the employees every single time. If they had to go out and support their families then they would understand what it is that is going on.

Senator GRAVEL. Senator Hartke, could I really make this request, and it is something that you triggered in your statement, that is, I would hope the committee would not get lost in the minutia of quarrels between industry and labor in the negotiating process.

There is no way that you will be able to place yourself in that role and bring about justice. I think what the committee has got to do is pullback from the minutia and say, "What is the impact on transportation policy in this country, and what is the impact on labor policy in this country, and how does it affect the consumers?"

As the Congressman so ably pointed out, the stockholders are included in that, too. Industry may lead you into that role, and labor may lead you into that role, but if the committee would stay away from the minutia, of "Charlie did this," and so forth, you will never get out of the swamp. You have to take the high ground and say what is good policy and leave the minutia for them to work out in the negotiations, which is what it is supposed to be in our system of collective bargaining.

Mr. KARTH. You Senators use such fancy words sometimes I don't know what you are talking about, but let me put it in understandable terms, at least to me. When you destroy the foundation of good-faith bargaining, then you destroy the collective-bargaining process.

That is what we are really talking about. Does this pact destroy the foundation for good-faith bargaining by both parties, management, and the employee groups?

If it does, then it destroys the very process of collective bargaining, and I think it destroys it.

Senator HARTKE. That is well said. As you said, you people in the House can say it a lot better. I agree with it.

That is why I would hope that the CAB would come down here and make a recommendation to us, not a recommendation on the basis of some of this minutia as you have indicated, Senator Gravel, but on the basis of what public policy should be. That, in my judgment is what we need in this country.

If you want to go to a totalitarian regime, you do away with the right to strike, and you can do away with them in several ways. As you have told the organized labor movement, the best way to destroy organized labor is put people out of work and stop them from paying dues, and they are doing a pretty good job of that.

The only trouble with that is that ultimately there is nobody to buy the goods. That has been the folly of what has been going on in this country. It is high time we recognize there are certain rights of individuals and one of the rights is the right to strike and bargain collectively, and proceed from that basis.

But if you tilt the scales as we have done now as it is interpreted by the CAB, and the courts, you tilt the scales on one side too heavily and the net result is that everybody suffers.

Congressman Karth, I want to commend you, and Senator Gravel, for fine statements, and especially Congressman Karth, we commend you for being able to say in the language that everyone can understand.

Senator CANNON. Senator Stevens on?

Senator STEVENSON. I have no questions, Mr. Chairman.

Senator CANNON. Thank you, gentlemen.

[The statement follows:]

STATEMENT OF HON. JOSEPH E. KARTH, U.S. REPRESENTATIVE FROM
THE FOURTH DISTRICT OF MINNESOTA

The indictment that can and must be drawn up against the Airlines Mutual Aid Agreement adds up to an appalling and ominous bill of particulars.

That is an accurate, even if seemingly harsh, appraisal of how a relatively innocent and limited-purpose compact reached among six airlines back in 1958 has grown into a monstrosity.

The Mutual Aid Pact has become a monstrosity because, after 16 years, it now has no resemblance to what it was originally designed to be: a "rescue" operation for a financially tottering carrier which has since disappeared from the American scene.

Today the Mutual Aid Pact, or MAP as it is usually referred to, has grown into a huge multi-million dollar enterprise that has far-flung effects not simply on the airlines industry but on the whole economy, on collective bargaining inside and outside the industry, on shareholders, on the economic health of entire communities, and on the personal lives of thousands of citizens.

These widening circles of effect and influence are what bring the issue of MAP before the Congress as a matter of legislative concern. It has come before this Subcommittee also because Federal regulatory agencies and the courts have shown no disposition to deal with the problem, despite the fact that it has taken on menacing proportions.

I would like, Mr. Chairman, to deal with the issue of MAP on the five levels mentioned: First, MAP's strangulation of collective bargaining in the airline industry; second, the dangerous potential of the MAP idea spreading to other industries; third, MAP's victimization of shareholders; fourth, the economic damage that MAP has inflicted, and will continue to inflict if unchecked, on entire communities; and fifth, the personal inconveniences and disruptions that MAP can cause in personal lives.

Mr. Chairman, because you have scheduled a number of witnesses who are highly knowledgeable on the subject of MAP's damaging effects on collective bargaining and labor-management relations, I will not go into as much documented detail in that area as I might. It is, as you will learn, a long and unwholesome story.

I. MAP'S STRANGULATION OF COLLECTIVE BARGAINING

The 16 of the 19 major airlines that are now members of the Mutual Aid Pact have paid each other the impressive total of \$360,000,000 during the 16½ years that MAP has been in existence.

That \$360,000,000 and other results are a far cry from what was contemplated in the modest and obscure beginnings of MAP on October 30, 1958. The signatories to the simple four-page agreement notarized in Arlington, Va., were: Trans World Airlines, Pan American World Airways, American Airlines, Eastern Airlines, United Air Lines, and Capital Airlines.

The plight of Capital Airlines was the reason for the original agreement. Already in shaky financial condition, Capital had been struck by its machinists. The basic idea behind the pact was that each non-struck airline would pay to the strikebound carrier "an amount equal to its increased revenues attributable to the strike . . ."

The scheme quickly proliferated. Four years later the MAP airlines applied for, and obtained, approval from the Civil Aeronautics Board for "supplemental payments" which would guarantee a struck airline 25% of its prestrike operating costs.

In 1969 CAB sanctioned a 100% hike in the supplemental benefits to compensate a struck airline for 50% of its prestrike operating costs for the first two weeks of a dispute, 45% for the third week, 40% for the fourth week and 35% after that until the strike is settled. That formula prevails today.

It should not be assumed that during this period CAB was without doubts concerning the legitimacy and wisdom of MAP. In July 1969 the Board, by a vote of only three to two, approved an amended agreement for three years. One member voted in favor of outlawing MAP entirely.

From the outset the airline unions opposed MAP because they could see the direction in which it was moving and its potentials for the destruction of effective bargaining relations.

MAP's dangerous direction was confirmed in March 1960. Prior to that MAP payments were confined to carriers faced with a strike without establishment of a Presidential Emergency Board. Under a new amendment benefits were authorized for a strikebound airline regardless of the circumstances or reason for the walkout.

What have been the practical results of MAP payments?

First of all, it has been found that a struck airline can hold down its operating costs to 29.2% of normal expenses. Against that 29.2% is MAP's guarantee, as already cited, of 50% of prestrike operating costs for the first two weeks, 45% for the third week, 40% for the fourth week and 35% for however long after that the strike continues.

Obviously this means a series of guaranteed profits for the carrier while not a single passenger is lifted and not a pound of freight is moved. It means a guaranteed profit of more than 20% for the first two weeks graduated downward to nearly 6% for whatever length of time the dispute lasts.

In terms of sheer, overwhelming money-support for a struck enterprise, nothing like MAP has ever been seen in the history of labor-management relations in the U.S.

Between 1962 and 1969, 10 strikes against MAP affiliates brought the carriers total payments if \$87,000,000.

Between 1969 and 1973, eight struck airlines received payments totaling \$213,000,000.

Only three airlines have failed to show a profit after strikes: Capital, Mohawk and Ozark. Capital and Mohawk were in financial straits before the strikes began and later merged with larger carriers.

Northwest Airlines, struck for 160 days by its clerks, collected more than \$47,000,000 in MAP payments and therefore was able to chalk up an \$18,000,000 profit for the strike period.

A 105-day mechanics strike against National Airlines last year enabled National to bank \$43,000,000 in MAP payments and show a third-quarter profit of \$2,300,000 despite the fact that the carrier flew only 14 days in the 92 days of that quarter.

During the Trans World Airlines strike of 1973, TWA was paid nearly \$2,000,000-a-day for the first two weeks of the closedown.

United Air Lines President Edward Carlson told his stockholders in 1971, "Since 1958 UAL has made payments of \$28,000,000 to Mutual Aid Pact carriers. If we had a strike today this amount could be received within the first 14 days."

These facts and figures, and there are many more like them that could be adduced, are enough to convince any reasonable person that MAP is a strike-prolonging and strikebreaking instrument.

But there is other evidence of a different kind, convincing evidence, that MAP works exactly to those ends.

In 1958 when MAP was organized, airline strikes lasted an average of 30.7 days. Today, according to the Air Line Pilots Association, carrier strikes average 95 days. The duration of airline strikes, therefore, has increased by more than 200% in 16 years.

In addition, some airline executives, perhaps in unguarded moments, have admitted that without MAP they would have settled labor-management disputes earlier and easier. The chief executive officer of Mohawk Airlines confessed this when he said, "Without Mutual Aid payments, the carrier might have settled or elected the merger route sooner."

For C. C. Tillinghast, chairman of Trans World Airlines, strikes have become a source of profit. He told a Honolulu newspaper reporter that the longer a strike by flight attendants continued, the higher TWA's profits would be for 1973. This was the strike in which TWA received more than \$2,000,000-a-day from MAP.

MAP undermines management's incentive to engage in full-faith and full-strength bargaining to settle a dispute. Conversely it provides an incentive to withhold concessions and compromises and to prolong a stalemate to see whether the union will weaken or yield.

Thus it can be seen that MAP is a two-edged sword in the hands of management: 1—it encourages airlines to take a strike and prolong it, and 2—it discourages union members, or it is intended to do so, to risk a strike, no matter how severe the provocations, because the members know that the huge MAP strikebreaking fund can and will be used against them.

The strike-prolonging character of MAP was also clearly seen by an Administrative Law Judge, Arthur S. Present, who recommended in 1972 that CAB not approve higher supplemental payments because they might encourage an airline to extend a dispute in view of the short-term benefits of the increased MAP payments. He was thinking, of course, of those 50% and 45% benefits for the first three weeks of a closedown. Said the Judge:

“The higher level of mutual aid payments may sway a carrier’s decision as to when it should settle a strike, to the detriment of the public utilizing air transportation.”

Judge Present’s recommendation was turned down, callously I think, by CAB’s three-to-two vote. My comment at the time was that the decision was “totally lacking in logic and is a goldplated admission slip for airlines to continue an anti-consumer, anti-commerce and anti-labor practice.”

None of the unions in the airlines industry has the slightest doubt about the union-busting and strikebreaking function of MAP. In a joint statement five of the unions have stated that “As long as the specter of MAP looms over the bargaining table, labor-management relations in the airline industry will remain turbulent.”

Their parent organization, the AFL-CIO has declared that: “Collective bargaining in the airline industry is slowly but surely being strangled by the Airlines Mutual Aid Pact.

“It is more than insurance against loss . . . It is a powerful partnership of all the participating airlines to frustrate and destroy the collective bargaining rights of their employees.

“When management negotiators know their company isn’t going to lose money during a strike, their attitude changes from one of seeking compromise to ‘take it or leave it.’

“For 250,000 airline workers, this means that their meager choice is between taking whatever management offers or enduring a long strike against tremendous odds. For the public the unwillingness of airline management to resolve labor disputes is reflected in lengthy disruptions in airline service.”

Finally, how does MAP shape up in terms of the laws under which the airlines operate?

The Federal Aviation Act of 1958 declares: “The Board shall by order disapprove any contract or agreement, whether or not previously approved by it, that it finds adverse to the public interest, or in violation of this act . . .”

On those grounds alone—that MAP is clearly “adverse to the public interest”—I submit that CAB should never have approved the extension of the Mutual Aid Pact and its conversion into an anti-labor, anti-consumer and anti-public weapon.

Then there is also the Railway Labor Act under which the airlines operate. This legislation was enacted with the expressed purpose of helping to “avoid any interruption to commerce or to the operation of any carrier.” But as we have seen, MAP most certainly is a cause of “interruption to commerce” and to the operation of carriers. Therefore, on the basis also of the Railway Labor Act the extension and expansion of the Mutual Aid Pact should have been halted.

THE POTENTIAL DANGER OF THE MAP IDEA TO OTHER INDUSTRIES

There is, happily, up to now nothing comparable to the Mutual Aid Pact in other industries.

In the newspaper industry there is a strike insurance fund operated by the American Newspaper Publishers Association, headquartered in Bermuda and with a long and evil history in labor-management relations. This fund makes payments to struck publishers on the basis of their having purchased 60-day, 120-day or six months policies. But this scheme isn’t nearly as insidious as MAP.

However, in saying that there is not now anything comparable to MAP in other industries, we cannot say that there will not be.

The Congressional Research Service of the Library of Congress was asked last year to prepare a study of the pro and con arguments on the Mutual Aid Pact. This is what their report says on MAP’s potential for damage to labor-management relations in other industries:

“Mutual financial assistance programs like MAP may spread to other industries. Most probably, future assistance programs will extend to industries dominated by a small number of large-scale employers.

"MAP-type programs will tend to prolong—and in some cases precipitate—strikes throughout American industry. They will operate to discourage compromise and settlement, and spread labor-management impasses and work stoppages. By breeding industrial strife, they reverse a long tradition toward co-existence and mutual acceptance in American labor relations policy."

We can't say that we haven't been warned.

Any responsible leader in the steel, auto or chemical industries—to take just three examples of industries dominated by a small number of large-scale employers—will undoubtedly tell this committee that a MAP in their industry would be disastrous to harmonious labor-management relations.

Beyond question, if the MAP idea is allowed to continue, to strengthen itself and to migrate to other industries, the result can be disastrous for the nation. Unfortunately there are always some employers—probably not many but some—who having failed with other union-busting programs and devices, might see the MAP idea as a great new potential for the removal of unions from our industrial life.

3. MAP'S VICTIMIZATION OF SHAREHOLDERS

Airline shareholders, there is good reason to believe, know little or nothing about the Mutual Aid Pact and how it has victimized their holdings.

Two groups of shareholders, in fact, are victimized: those owning stock in a struck airline and whose dividends diminish or disappear as the strike is unnecessarily prolonged under the encouragement provided by MAP, and second, the shareholders in airlines which are required by MAP to contribute millions of dollars to the airline that happens to be shut down.

An example of the first group of shareholding victims can be found among the investors in Western Airlines. According to the Air Line Pilots Association, "As a consequence of their contributions to Northwest under MAP, the Western Airlines situation was changed from a small profit to a loss. Continental and Eastern reduced their profits 16% and 18% respectively, and others increased their losses from 3% to 92%.

Northwest Airlines realized a \$22,000,000 profit during its strike and ended 1970 with a profit of \$44,500,000 all of which came from the other airlines in the MAP. Of this profit, ALPA found, 87% came from the airlines which themselves suffered losses for the year.

During the TWA strike already discussed, United Airlines paid TWA \$27,673,675 in MAP benefits. American paid TWA \$15,384,440. Pan American paid \$12,879,365. Eastern paid \$6,059,494. Continental paid \$3,245,119. and Braniff paid \$2,203,938.

Those, needless to say, are huge sums to be taken out of shareholders' dividends.

The Library of Congress study already cited reported as follows:

"The Mutual Aid Pact is a threat to the financial health of some member carriers.

"The agreement fosters unsound economic conditions in air transportation, especially since it was amended to raise supplemental payments . . . The Agreement's provision for supplemental payments has the defect that it takes no account of the current financial condition of a paying carrier. In fact, the bulk of mutual aid payments since the 1969 amendments took effect have been to otherwise highly profitable carriers from carriers which were currently either losing money or earning less than a reasonable return on investment.

"As an example, Pan American, a carrier whose operating losses were and have continued to be so substantial as to occasion serious concern by CAB, has paid out over \$40,000,000 to other MAP members over the years while receiving only a little more than \$5,000,000 from MAP participants. Pan American has not had a strike since 1970, but it has paid out over \$20,000,000 in mutual aid since then; these payments represent a significant part of the airline's \$128,000,000 in losses since that year."

Since that was reported by the Library of Congress, Pan American has announced its withdrawal from MAP.

The Library of Congress summary concludes with this telling statement: "Apparently few airline stockholders know about the Pact or about their company's membership in it. If the existence of the Agreement were more widely known it seems a certainty that many shareholders would strongly object."

Before leaving this subject of the carriers' economic health and the victimization of shareholders, it is essential that we take note also that the shareholders are doubly victimized, first as owners of stock and second as taxpayers.

Payments into MAP by the airlines can be deducted for income tax purposes. To that extent, the Library of Congress points out, MAP payments are partially subsidized by the Federal Government. "The Pact has been called a generous corporate welfare plan supported in part by Uncle Sam," says the Library's report.

Taxpayers are victimized, too, by the fact that airline subsidy money undoubtedly goes into MAP payments because Federal airline subsidy funds are not separated from the airlines' general funds.

4. THE ECONOMIC DAMAGE MAP HAS INFLICTED ON COMMUNITIES

The economic injury to communities, especially to those served by only one airline as the result of strikes prolonged by the Mutual Aid Pact, is a subject that richly deserves more study and exploration. I urge this committee to investigate the problem if it is at all feasible.

While not a great deal has been documented in this area, nevertheless we know that single airline communities have been badly scarred, sometimes irreparably damaged, by disputes that have been extended by management under impetus of the Mutual Aid Pact.

We have learned about airports in such communities being almost entirely shut down with, of course, the disemployment of airport personnel, maintenance workers, and the layoff of employees in such airport enterprises as restaurants, rent-a-car agencies, freight-forwarding firms and bus lines.

We know about factories in such communities having to close down because machinery replacement parts couldn't be obtained by air freight, and we know about stores doing greatly reduced business because salesmen and suppliers had to come to the community by car, sometimes from long distances.

Fargo, N.D., was one of many areas in the north central and northwestern states served only by Northwest Airlines and severely hit by the 95-day pilots strike in 1972. But Fargo differed from most other communities in that it did something about its plight. The city petitioned the Civil Aeronautics Board to rescind Northwest's operating certificate so that the Board could issue a new one to another airline.

North Dakota Governor William L. Guy, commenting on the needlessly prolonged strike, said that "North Dakota businesses have suffered economic losses—far greater losses, I would suspect—than Northwest Airlines."

I would like to call to the Committee's special attention a 124-day strike against Texas International Airlines which ended just last month because this dispute epitomizes the tragic economic consequences of the Mutual Aid Pact.

This strike by the Air Line Employees Association was the first strike against Texas International in the 22 years the union has represented the carrier's clerks, agents, secretaries and others.

Texas International serves 70 cities in a nine-state area. An investigation by the ALPA found that 26 Texas communities had been deprived of all airline services because TI was the only carrier flying into those communities.

The investigation found that these communities had been severely hurt by the prolonged shutdown and, among other results, business failures had increased.

But not only Texas was injured, so were large areas in Louisiana and New Mexico.

From Lafayette, Louisiana, this message from the City Council went to the Louisiana delegation in Congress:

"The strike is now 52 days old and the economic impact on the area and the oil industry is catastrophic. National interest dictates the need for legislation for mandatory requirement that CAB immediately furnish relief by requiring another certificated carrier to furnish service."

The Rapides, Louisiana, Parish Airport Authority also protested to the Louisiana delegation in Congress that central Louisiana had been without scheduled air service since the strike began. However, said the resolution:

"Since the strike began, Texas International Airlines has received \$7,000,000 from its Mutual Aid Pact with other airlines and is presently receiving and will continue to receive \$85,000 per day until the Mutual Aid Pact is exhausted.

"Citizens of Central Louisiana have suffered the loss of needed air service while Texas International is being compensated for not serving our community. . .

"Therefore be it resolved that should Texas International Airlines not restore scheduled air services, the CAB be petitioned to cancel air route certificates held by TIA and assign these routes to other airlines willing to provide these services . . . particularly in the Central and Southwest Louisiana regions."

I will let the New Mexico State Legislature speak for itself on the atrocious prolongation of the Texas International strike. In a Memorial to the New Mexico delegation in the U.S. Congress, the Legislature asked for a Congressional investigation of the Mutual Aid Pact. The following are excerpts from that Memorial:

"Employees of Texas International Airlines went on strike on December 1, 1974, and the airline received over \$10,000,000 from a Mutual Aid Pact which removed the incentive for the airline to resume service. This lack of incentive caused the loss of all air service to several New Mexico cities for over 100 days.

"All air carriers serving the state of New Mexico are members of the Mutual Aid Pact and could decide to likewise discontinue their air service to receive Mutual Aid Pact financing in lieu of normal operating revenue.

"The Civil Aeronautics Board has failed to give relief from the terms of the Mutual Aid Pact . . . and the effects of the Mutual Aid Pact may not be in the best interests of the public or of the State."

After asking for CAB intervention and for a "full Congressional investigation of the Mutual Aid Pact," the Legislature declared that:

"The New Mexico delegation to the Congress of the United States is requested to support legislation to insure that the cities of New Mexico and other states in similar circumstances need not lose their scheduled air service because of the Mutual Aid Pact."

Thus we have the rising alarm and the increasing indignation not of union employees or strikers but of whole communities and a state legislature.

What they are saying is that they do not want, they will not tolerate again, being victimized, isolated and deprived by an air carrier strike prolonged by the multi-million dollar encouragements of the Mutual Aid Pact.

The Congress, we hope, will listen to these appeals for relief from the people of Texas, Louisiana, New Mexico and other states. Those states cannot afford, nor can the nation afford, any more needless disruption of community economic and social life by a soulless monstrosity like the Mutual Aid Pact.

5. THE EFFECT OF MAP STRIKE PROLONGATIONS ON PERSONAL LIVES

The effect of strike prolongations by MAP on individual lives in the affected communities is another area that deserves and needs study.

We know from many first-hand and secondary sources that personal lives have been inconvenienced and disrupted just as the communities have been inconvenienced and disrupted by needlessly extended strikes.

This was an inevitable consequence of the protracted disputes discussed in this testimony. Commuting schedules for many citizens have been shattered and halted. Vacations have been wiped out. Trips to doctors were sometimes made impossible, and when distant deaths in the family occurred, the bereaved were delayed by having to travel by auto or bus.

Also postponed were the shipping of medicines and drugs and special foods. The arrival of hospital and dental equipment has been tardy because of slower truck or auto transport.

Thus communities and individuals alike have become victims of the Mutual Aid Pact.

This arrogant assumption of power over the lives of American communities and individuals and over the normal functioning of business and commerce should be halted here and now before it gets more out of hand than it already has.

This Committee has the opportunity of restoring sanity and decency to one of the most crucial industries in the country, an industry that can and does affect our entire economy and the lives of millions of citizens.

The restoration of that sanity and decency is long overdue.

Thank you.

Senator CANNON. The next witness is Mr. Biemiller of the AFL-CIO.

STATEMENT OF ANDREW J. BIEMILLER, LEGISLATIVE DIRECTOR, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY LARRY GOLD

Mr. BIEMILLER. I am Andrew Biemiller, director of the Department of Legislation, American Federation of Labor and Congress of Industrial Organizations. I am accompanied by Mr. Laurence Gold of Woll, Mayer & Gold, Washington, D.C.

Mr. Chairman, the AFL-CIO appears before you today together with officers of its affiliates that represent employees in the air transport industry in support of the enactment of S. 306, a bill which would outlaw the Airlines Mutual Aid Pact.

In my testimony I will outline here the central arguments demonstrating that the Mutual Aid Pact as it presently functions is incompatible with the system of collective bargaining mandated by the Railway Labor Act, the law that governs air transportation labor-management relations.

Then the national and international unions that deal with the members of the pact will provide the committee with detailed information on the many ways the pact has served to undermine the public interest.

Stating the subject to be considered as simply as I can, the pact is an intercarrier agreement under which the signatory parties contribute vast amounts of moneys to any of their number involved in a strike. The pact began in 1958 as a modest program to provide a carrier, involved in a work stoppage following a union's refusal to accept the recommendations of a Presidential emergency board, or which came about from an unlawful strike, payments in an amount equal to its competitor's increased revenues from diverted traffic less added expenses, so-called windfall payments.

As the result of a series of amendments in 1960, 1962, 1969, and 1970 the pact's membership has expanded to include virtually all of the scheduled airlines, including subsidized local service carriers—only Delta, among the trunk lines, and Allegheny and Southern Airways among the local service carriers have not joined—and it is now applicable to virtually all strikes.

Of even greater practical importance, in 1962 the concept of supplemental payments was introduced. As I just noted, originally a carrier's benefits, had been tied to windfall payments generated from diverted traffic. However, under the supplemental payments concept as it presently stands a carrier member is guaranteed 50 percent of its normal operating expenses for flight operations for the first 14 days of a strike; 45 percent for the next 7 days; 40 percent for the following 7 days; and 35 percent during the remainder of the strike.

These supplemental payments are guaranteed by contributions from each member based upon a percentage of its total air transport operating revenue for the preceding calendar year and taking into account that member's proportional share of total revenues during the previous year. The maximum annual liability for each member has been fixed at 1 percent of its prior year's operating revenues since 1969; from 1962 to that year it had been a half percent.

The supplemental payments concept means that member airlines can, for the first time, contribute large amounts of their own working capital to carriers who have been unable to resolve their labor disputes. The result has been repeated transfers of millions of dollars of working capital from airlines with sound labor relations to others who have shown little or no interest in dealing fairly with their employees.

The original pact and its amendments have required, and secured, the approval of the CAB. It should be pointed out, however, that in granting the original approval the CAB concluded that "matters of general policy as to labor disputes are not be considered by the Board in assessing whether the agreement is adverse to the public interest."

In contrast we are confident that this committee will take that general policy fully into account. Moreover, in the most recent CAB case the administrative law judge ruled against approving the 1969 and 1970 amendments and he was overridden only by a 3 to 2 vote that was eventually upheld in the courts on the ground that the majority's position did not "fall outside a zone of reasonableness."

The issue in this forum, of course, is to be decided on the merits and not by such a restrictive test. The CAB dissenters stated:

We regret that the Board's majority opinion here goes as far as it does in seeming to identify the public interest with strengthening the bargaining position of carrier management in airline labor disputes, which is the evident purpose of the Mutual Aid Agreement. Such an air of partisanship between management and labor by a regulatory agency is antithetical to the national labor policy and should be strictly avoided.

Senator CANNON. Do you want to correct that word to "partnership" rather than "partisanship"?

Mr. BIEMILLER. No, that word is partisanship. The copy that reached you had an error. Partisanship is correct, not partnership.

It is our view that this charge is all too accurate, and it is to secure this committee's, and then the entire Congress; support to correct the grievous error made by the CAB majority that we are here.

It serves to put the issue before the committee in perspective to begin by stating that the AFL-CIO accepts the position stated by the U.S. Court of Appeals for the District of Columbia Circuit in its decision holding that the pact does not violate present law:

The national labor policy rests on the principle that parties should be free to marshal the economic resources at their disposal in the resolution of a labor dispute, consistent with the specific rights and prohibitions established by the labor statutes. It is not generally given to Government agencies to regulate what economic weapons a party might summon to its aid.

But that is a statement of the narrow authority of the administrative agencies and the courts. It is not a statement of an absolute principle, and it does not imply any restraint whatsoever on Congress' power to reshape the labor laws to eliminate a demonstrated evil.

Indeed, before turning to specifics, it is fitting to recall a statement of Mr. Justice Holmes recently quoted by Chief Justice Burger and very much in point here:

All rights tend to declare themselves absolute to their logical extreme. Yet all in fact are limited by their neighborhood of principles of policy which are other than those on which the particular right is founded, and which become strong enough to hold their own when a certain point is reached.

The Chief Justice then noted that because this is so "it is often necessary to engage in the line drawing familiar in the legislative process; thus far but not beyond."

Congress has, of course, recognized that it is proper to tell unions who it has determined have abused their freedom to marshal the economic resources at their command, "thus far but not beyond."

Perhaps the clearest examples are to be found in the so-called secondary boycott provisions of section 8(b)(4) and 8(e) of the National Labor Relations Act as amended by the Taft-Hartley and Landrum-Griffin Acts. There, to give just one instance, because of the desire to prevent what Senator Taft termed the "metastasis" of labor disputes, Congress banned concerted refusals of union members to handle truck goods. That ban greatly limits the right of unions and

workers not directly engaged in a labor dispute, but who have a stake in its outcome, to assist the strikers.

Naturally, I do not provide this illustration to indicate that the AFL-CIO endorses section 8(b)(4) in its present form, or to suggest that the NLRA can uncritically be applied to industries covered by the RLA, but only to make it plain that Congress has not regarded the right of companies and unions to assist one another as sacrosanct.

That having been said, it is necessary to add immediately that because of the very high priority national labor policy accords to the freedom of the parties to collective bargaining to determine their own fate, I am not here today to argue for a broadly based restriction on that freedom. For the AFL-CIO continues to hew to the approach that a legislative withdrawal of the right to use an economic weapon during a labor dispute is appropriate only where there has been a gross abuse of that freedom and even then that such legislation should be the product of the narrowest possible limiting principle.

It is universally understood that the processes of the Railway Labor Act are designed to avoid, insofar as is reasonably possible, prolonged interruptions to those operations of air carriers and rail carriers which are essential to the economic well-being of the entire Nation. The RLA requires the exhaustion of extensive safeguard procedures before labor can exercise its right to strike; and court decisions interpreting the Railway Labor Act have restricted that right even further.

It is equally plain that whatever may be true if all the following conditions do not obtain, there can be little or no incentive on the part of a management to compromise and conclude a strike so long as the company: (a) is guaranteed a profit during that strike no matter how long the strike lasts and even though it continues because the employer is taking a patently unreasonable position; and (b), so long as it is distinctly possible that this guaranteed profit may be even greater than the return to be anticipated from continued operations. Under these conditions the incentives are all the other way. A means is thereby provided of breaking the strike; and even the union.

It follows that an agreement that does provide an employer with all of these benefits is different in kind, and not degree, from other types of cooperative endeavors by management and labor. For such an arrangement, and so far as we are aware, it alone creates an incentive to precipitate or prolong a strike. That is contrary to the national labor policy, not to mention the national transportation policy. Thus, such agreements mark the point at which Congress must say, "Thus far but no further."

The pact as it operates today does guarantee carriers a profit during a work stoppage. I do not ask the committee to take my word. In the CAB case challenging the pact's present permutation the administrative law judge found:

The evidence indicates that during a full shutdown a struck carrier can limit its operating expenses to 29.2 percent of the normal level. Under the current agreement, the lowest limit covered is 35 percent and that rate is not reached until the fifth week of the strike.

For this reason the dissenting CAB members then stated:

The critical point is that under the 1969 amendments a struck carrier's mutual aid benefits can be so generous that it can show an operating profit while its operations are shut down by a strike. This seems to us a fundamentally unhealthy

situation, conducive to results adverse to the public interest, much as would be an insurance scheme which resulted in the insured collecting more than the value of his loss.

The guaranteed 5.8 percent profit to which the administrative law judge referred is the lowest limit. And even that figure is equivalent to the return on a Government note. For, during the first week of a strike, the guaranteed profit is 20.8 percent and over the first month, 17 percent.

The administrative law judge did not content himself with the summary statement I have just quoted, he provided chapter and verse:

National, although it conducted no operations during the approximately 4-month strike by ALEA, with the aid of mutual aid receipts amounting to \$27,985,000, earned, during the strike period, net income of \$810,000 after \$8.4 million in charges for depreciation and amortization.

Northwest, which during the 5-month strike by BRAC conducted an average of about 29 percent of its operations, achieved a net profit before income taxes of \$17.9 million during the strike period after deducting \$32.8 million in charges for depreciation and amortization. The carrier's mutual aid receipts totaled \$47,287,000.

TWA incurred a net loss before income taxes of \$879,000 during the 2-day strike to which it was subjected in October 1970. That result reflects charges for depreciation and amortization in the amount of \$621,000 and mutual aid receipts of \$2,452,000. The carrier maintained about 25 percent of its operations during the 2 days. However, TWA estimated that, if it had not suffered the strike, it would have lost \$1,687,000 during the 2-day strike period, so that the carrier actually gained \$808,000 for the period of the strike.

Mohawk received mutual aid for the first quarter of 1971. It conducted no operations during the strike and received no subsidy for that period. Yet, it had a net profit of \$29,000 for this quarter after taking into account \$1.8 million in depreciation and amortization and \$1.4 million in nonoperating expenses.

It is instructive to compare the situation of striking air transportation employees. The Transport Workers Union, for example, does not even pay strike benefits. The Machinists average is \$40 a week, about 15 percent of regular pay; and this does not begin until a member has been on strike for 2 weeks, or at all, if as is the present case the strike's fund is depleted. The Airline Pilots make the highest payments. After a 30-day waiting period the maximum amount a pilot receives is approximately 20 percent of his regular pay. The contract speaks for itself.

We emphasize that the TWA strike referred to by the administrative law judge is a perfect example of our point that the pact does not simply guarantee profits; it can make a carrier better off than if the airline continued its operations. Quoting from the dissenting CAB members once again:

To be sure, as the majority point out, the struck carrier also forgoes its "normal profits" while the strike continues. But this factor cannot always be relied on to give the struck carrier the strongest incentives to settle the strike. In several of the strikes which have occurred since the 1969 amendments took effect, the struck carrier was not in fact earning "normal profits" or indeed any profits immediately prior to the strike, and so did not forgo such profits as a result thereof. This situation may well recur in future strikes—particularly if, as the carriers claim, the unions concentrate their strike threats on weak carriers. Even where a carrier is operating profitably on an annual basis there are frequently "off-season" months during which it expects to lose money; if a strike occurred at such a time, the carrier would not be deterred from prolonging it unnecessarily by a loss of "normal profits."

The CAB majority attempted to sink the critical facts just noted in a sargasso sea of speculations:

Taking into account loss of estimated normal profits, strike period losses, and post-strike losses, neither of these two carriers recovered even 60 percent of their total losses attributable to the strike.

The complete answer of the dissenters to the loss of estimated profits point has already been noted. The claim of strike period losses can fairly be termed nonsense. The purpose of the pact is to assure that there are no such losses; and the arrangement fulfills that purpose. The final component in the majority's calculus—"post strike losses"—is as defective as the other portions of the equation as the dissenting members pointed out in detail:

The majority also point to post-strike losses, which are not directly compensated by mutual aid payments, as a strong inducement to prompt settlement of strikes. But, while we do not deny the reality of post-strike losses, their incidence and measurement is a matter of great complexity and involves a considerable degree of speculation. It is surely significant that the participating carriers have never been able to agree among themselves on a valid measure of post-strike losses, so as to permit their direct compensation under the mutual aid agreement. Clearly a great many factors go into determining how serious post-strike losses will be; a struck carrier will presumably regain its normal level of traffic more quickly in monopoly than in competitive markets, and in the latter it will make a great difference whether its principal competitors were also struck or were operating. It is by no means clear from the record that prospective post-strike losses increase in any simple way in direct proportion to the length of a strike. Accordingly, it might well happen that, once a strike commenced, the struck carrier's management could believe that most of the prospective post-strike losses were already accrued and inevitable, and would not be greatly increased by a delay (within limits) in settling the strike.

We have looked in vain for a considered reply to this reasoning. We have found none; undoubtedly this is because neither the CAB majority nor the carriers have been able to formulate one.

Finally, the pact is contrary to the public interest because it allows airlines who do not wish to establish sound relations with their employees to finance their often irrational and arbitrary treatment of their employees by drawing on the capital of their competitors. Under the pact the airlines that finance a strike have no control as to when or on what terms it should be settled. And, looking at the matter from the struck carriers' perspective, it is guaranteed a profit no matter what bargaining position it takes. In other words, there is a complete divorce between responsibility and control.

Pan American is considered in dire financial condition. I am sure that it could now make good use of the \$28.8 million it paid out under the pact up to 1970, and the added \$23.5 million it has paid out since that time. The same is true of United, American, and Eastern who, along with Pan American, have paid out a total of over \$122 million since January 1971, while receiving only \$1.2 million in return. In contrast, Northwest, National, and TWA received almost \$123 million during that period. It is apparent that four carriers, who can ill afford it, are paying three other carriers so that the latter can maintain extremely poor labor relations.

In short, the AFL-CIO believes that it is wrong as a matter of principle to permit a group of employers to continue a plan the aim of which is to assure that any one of their number enjoys a guaranteed

profit during a strike. We stand on that point of principle. It is nothing short of a disgrace that TWA Chairman Charles Tillinghast was quoted as stating, 3 days after the beginning of the November 5, 1973, ALSSA strike against his airline, "TWA's profits for 1973 would be better off if the strike were not settled before year end. Should the strike end now, mutual aid income would end and all expenses would resume." Interestingly enough, TWA did not settle until December 18, 1973.

But the pact is not merely wrong in the abstract; its practical effects are as unsound as the premise upon which it operates. As will be developed in detail by the witnesses who follow, since the pact has been amended to provide carriers with profits during strikes, the number of strikes has been fewer but the average strike has been much longer and has been more costly to carriers such as Pan American, who have to support the carriers whose employees have been driven to strike; to the employees who must suffer through unnecessarily prolonged strikes; and, to the public who must suffer in terms of unnecessary inconvenience, higher rates and, eventually poorer service due to the drain on capital caused by mutual aid payments.

The sum of the matter is that the air carriers, and so far as we are aware, they alone, have abused the freedom to marshal their economic resources through a system of strike assistance. That abuse should be dealt with by the enactment of S. 306.

Senator CANNON. Thank you very much for a very fine statement.

You indicated in your statement support for the proposition established by the courts that the national labor policy rests on the principles that the parties should be free to marshal their economic resources at their disposal.

Isn't it a somewhat similar situation here if the mutual aid agreement is prohibited from existence, where you would have a situation that the unions maintain a so-called strike fund as a self-help measure themselves to pay their striking members from dues.

Isn't that a somewhat comparable situation?

Mr. BIEMILLER. We have pointed out, Mr. Chairman, that the union payments are very, very small. They do not begin to be a factor in the situation. In some cases, there are no union payments whatever. On the principle of this matter, I defer to my counsel.

Mr. GOLD. Mr. Chairman, the point we are trying to make is that the airlines have pushed the concept to which you referred so far that it has run into other equally valid principles. As Mr. Biemiller has noted, there is simply nothing that has occurred on the union side that is in any way comparable. Therefore, at this time we simply are not faced with a situation where any action other than the one before you is called for. If there were a difference in what unions do then there would be perhaps a different situation for you to look at.

Senator CANNON. I am reading here from the same Library of Congress study that Mr. Karth cited a little earlier and this says interunion cooperation in strike situations is common. Unions hand or give money to other unions on strike.

In the 1970 United Automobile Workers' strike against General Motors, the Teamsters Union lent \$25 million to the Auto Workers' Strike Fund which had become comparatively penniless.

The AFL-CIO Executive Council in May 1973, voted to give \$1.8 million to the United Farm Workers to help that union in the California Grape and Lettuce Workers' strike. And, the UAW has been contributing \$10,000 a week to the Farm Workers for the same purpose.

Many unions set up strike funds to provide payments to members during stoppages. There are no legal barriers to such funds; nor are there legal limits to the amount which may be paid in strike benefits. These funds have the same purpose as the pact, to relieve the financial pressure of a strike.

Now, if I understand you correctly, you are saying that that proposition is a valid one, but you are complaining about the degree, similar to two dissenting members of the board, whose dissent was as to amount of benefits not as to that general proposition.

Mr. GOLD. That is right. We are here arguing that the situation which has been created is one in which the carriers are guaranteed a profit and indeed, in some cases, a greater profit than they might have expected if they continued in operation, and that that situation is markedly different from anything else we know of. In spelling out both the National Transportation Policy and National Labor Policy, Congress has acted on a case-by-case basis. Is there a particular abuse and should it be corrected? We do not know of any other such abuses.

Senator CANNON. Do you think the abuse would be corrected if Congress were to limit the amount, or do you feel it should be prohibited entirely? If it is prohibited, what would be your argument for Congress prohibiting at the same time payments by unions to striking workers?

Mr. GOLD. I will take that in two parts, Mr. Chairman. The administrative law judge did propose that the 1969 and 1970 amendments which are really the changes that brought about the guaranteed profit—at least as I understand the complex economics here and on that we defer to our colleagues who will succeed us have much firmer grasp of the economic realities—at any rate, those were the amendments that the administrative law judge held should not be approved.

Certainly, one approach to the problem here would be legislation comparable to his recommendation. We go further in the request we make in light of the fact that the airlines have so thoroughly demonstrated their lack of responsibility on this subject that we think Congress simply ought to strike this weapon completely from their hands so that we are not back before you in a few years because the carriers have come up with some new and imaginative gimmick to get around whatever partial legislation may be enacted.

In terms of the other point you make, the question of whether union strike funds should be dealt with at the same time, the answer is that if the carriers can come in and demonstrate any abuse, then that would be a valid subject for the committee's consideration.

But, I don't know of any situation in which Congress has simply taken a weapon from either party's hand unless there has been a demonstration of abuse.

To go back to the example Mr. Biemiller gave, when Congress passed section 8(b)(4) of the National Labor Relations Act which

limited union cooperation, the question was put to Senator Taft as to whether the same change should be made in the railway Labor Act and he replied:

There were no abuses which have arisen in connection with operation of the Railway Labor Act as to secondary boycotts. In general, we have confined our amendments to the bill to activities which from evidence before the committee specifically have been shown to be abuses.

I think that is a sound approach to amending either the National Transportation Policy or the National Labor Policy.

Senator CANNON. Of course, some of us in the Congress have consistently voted to provide other benefits at the cost of the taxpayers to striking workers, for example, extension of unemployment benefits, and welfare benefits and the food stamp program.

I, Senator Hartke, and many others have consistently voted to permit those benefits. Now, those are at the cost of the taxpayers, just as you are citing that there are certain costs here to the taxpayer.

It seems to me that from the standpoint of fairness, if we are going to prohibit it on the part of management, that we may have to prohibit it on the part of labor.

Now, that was the reason I was asking the question about the restriction which might help us in understanding the feeling of the members of the Board of the CAB, that is the 20 percent that ought to be allowed which would insure that there couldn't be any argument about the carriers having an opportunity to make a profit as a result of the aid.

Mr. GOLD. As I look at it, that is one intelligent solution to the problem. In terms of the variety of other congressional enactments which have some effect on strike, again, I would repair to the point that I made earlier which is that in each one of these instances, the basis upon which the Government payment is being made has to be balanced against its effects.

We are not here arguing that there should be no such thing as a mutual aid pact in any other industry. We are not here arguing that there should not be all sorts of forms of either union or management cooperation. We accept the proposition that there should be.

On the other hand, we are here saying that the airline industry has gone so far that legislative correction is needed.

If there are legislative corrections needed elsewhere because of specific abuses, we know Congress will act. Congress has acted not only for the benefit of strikers, but, as we have indicated, to harm them because the balance, as Congress saw it, of the public interest and of the particular interest of the people involved required that result.

I would conclude by saying, that again obviously, we are completely cognizant of the point that one fair and reasonable approach to the airlines' derelictions would be the legislative ratification of the latest recommendation of the administrative law judge.

But we also believe that in light of their capacity for inventiveness, the solution suggested by S. 306 is the best one because a management which has worked as hard as the airline management has to come up with means of feathering their nest has to be stopped and stopped short.

Senator CANNON. Let me ask Mr. Biemiller. Is it the AFL-CIO policy to take from the dues funds paid by other unions and supply

those funds to other strikers, for example one that I read, the California Grape and Lettuce Workers, do you take dues from union members other than those people to provide strike support funds to them?

Mr. BIEMILLER. In the first place let me point out that the AFL-CIO is not a union; it is a federation of unions who pay a certain per capita on their membership. We do not have any such situation as you describe.

The situation in the farm workers case was regarded as a very special problem by the Executive Council of the AFL-CIO which voted the money out of its general funds for the use of the farm workers organized—of the farm workers union in the California strike situation.

Senator CANNON. But that fund came from—

Mr. BIEMILLER. Per capita payments made to the AFL-CIO from affiliated unions. It is an unusual situation. It has very, very seldom happened.

Senator CANNON. Let me ask you this, if Congress were to abolish the mutual aid pact agreement do you think that the unions should be permitted to refuse to cross picket lines of other unions because of one union's ability to shut down an entire industry as they can in this type of situation?

Mr. BIEMILLER. We don't see any analogy there to be perfectly honest with you.

Senator CANNON. The analogy is just the pressure analogy to pressure into a rapid settlement.

Mr. BIEMILLER. In a strike situation, as far as the worker is concerned his problem is loss of income. As far as the employer is concerned it should be loss of income. That is exactly where the pressures come from and not from anyplace else. And until that fact is firmly established, I think Congressman Karth expressed it very well, you disturb the balance of power as has happened here with the Mutual Aid Pact.

Until that incentive to settlement is reestablished we regard this as an absolutely unfair advantage that is permitted to the air carriers in their Mutual Aid Pact. The idea of a company boasting that it is going to make profits because of a strike should run up a really good red flag for the attention of the Congress.

Senator CANNON. I would certainly agree with you on that. But I am wondering do you agree with your counsel that maybe a solution is along the lines of the administrative law judge or the minority of the board which goes to the amount permitted rather than to the concept of self-help?

Mr. BIEMILLER. Counsel has simply said that that is a possible approach but it is not the one that we think is called for in the given instance for the airlines have gone so far that the result is that certain of the trunk carriers have become very arrogant in their attitude toward labor and arrogant because as they see it they can't lose.

What do they care whether they have a strike or not?

They can't lose.

Senator CANNON. What is the reason that Delta has not been a party to the agreement, do you know?

Mr. BIEMILLER. I don't know, you would have to ask the representatives of the unions who will follow me.

Senator CANNON. I wonder if it was because they were not unionized except for the pilots, I believe, is that correct?

Mr. BIEMILLER. The Delta pilots are organized by ALPA, but you would have to ask the people who live with this.

Senator CANNON. Senator Hartke?

Senator HARTKE. Mr. Chairman, my understanding is that the CAB has not been asked to testify, is that correct?

Mr. GINTHER. They have been asked to testify, they wanted their order to speak for itself.

Senator HARTKE. They have a new Chairman there and I would hope we would have him come in, with the members. All of them.

Is there any reason why we could not do that?

Senator CANNON. Certainly not.

Senator HARTKE. I think it is high time they account for their stewardship, too. The problem I see is the one Mr. Biemiller outlined, that is what is the purpose of the strike and collective bargaining. The purpose is to have equal balance and operations of that sort.

When most people vote to go on a strike they vote to cut their pay. They vote to cut their income at least which is—

Mr. BIEMILLER. Drastically.

Senator HARTKE. Yes, it is a very drastic operation. Under normal circumstances if you ask a man does he want to cut his income, he would say look, I don't appreciate the fact that I will have to live with less, but under the circumstances I have come to the conclusion that the ultimate long range detriment to me is of such nature as it requires this drastic action.

Now that is what occurs when the strike happens. On the other side of this you have the same situation, when the management decides for some reason they cannot agree and, maybe very sincerely cannot agree, they have to make up their mind whether or not they will permit the strike to occur or whether they come to settlement.

As you have indicated that, also, ought to be a very serious question for them, not one which they can enter into flippantly, not one they can go into without any concern about their economic consequences.

Because the essence of their right to strike is to impose a set of violations, peaceful picketing and a strike, the essence is to provide for some type of method of adjusting differences of opinion between the employer and the employee. That is all there is to it.

That is why I hope we don't get involved in a lot of minutia. I am definitely concerned about what I consider even maybe a deeper problem in this whole field, and that is the availability of accurate methods of accounting by these big corporations.

That is why I would like to get the whole board up here. So as not to obfuscate the situation that they are in. This is the present situation with the global corporations and in the airlines and in the railroads, it is all over.

I mean I don't think anyone can say I have been against the railroad industry. But I think it is only fair if you are going to ask the Government to become involved, and that is what is being done here, then the books ought to be open so there would be a fair declaration of what is going on.

I would hope that maybe we could do that. Let me ask you, Mr. Biemiller, would there be any serious disruption of the airline industry if the Mutual Aid Pact were terminated?

Mr. BIEMILLER. In our opinion, no.

Senator HARTKE. Would it really harmonize the total industry if the pact were eliminated?

Mr. BIEMILLER. Precisely. Pan Am has pulled out already, as you know.

Senator HARTKE. I think they pulled out because they want to come and ask for a handout.

Mr. BIEMILLER. I think that may be true.

Senator HARTKE. After all, you know, whether you are going to go out and ask somebody for help you better make sure that you are not—

Mr. BIEMILLER. You have clean hands.

Senator HARTKE. That you are not wasteful yourself. I hope industry would take a reexamination of this situation and would join in asking for this, saying, look, we think this is a waste of our money and bad public policy and industry ought to come in here and say, we are willing to abandon the Mutual Aid Pact but will join in making it illegal to do so.

You know otherwise what they are going to have ultimately, I guarantee you in the Finance Committee, as soon as this is called to their attention, I guarantee there are enough votes to cut that out, that benefit will go.

We may not succeed in the Commerce Committee but I have pretty good luck up there in the Finance Committee.

Mr. BIEMILLER. It is another approach worth considering.

Senator CANNON. Senator Tunney?

Senator TUNNEY. Thank you very much, Mr. Chairman.

I would like to say initially that I want to congratulate you for holding these hearings. I think it absolutely necessary to take a look at what I consider to be a problem that has certainly aggravated labor-management relations in this country in a way that I cannot see a present parallel other than perhaps farm labor. I know that there are many thousands, actually tens of thousands of airline employees in my State who are deeply concerned, deeply troubled by the Mutual Aid Pact and want to see the present situation changed.

I would like to ask our witness—by the way, it is a great pleasure having you before the committee, Mr. Biemiller.

Mr. BIEMILLER. Thank you, sir.

Senator TUNNEY. I always find your presentations articulate. I am sorry that other business kept me away from the hearing room during that time that you read your statement but I wanted to be here to question you.

Can you tell me why you feel, if you do, how the Mutual Aid Pact is essentially different from the employee strike fund insofar as the source of the funds and any relationship that Federal tax dollars may have to that source of funds?

Mr. BIEMILLER. I defer to my counsel on that.

Mr. GOLD. Senator, in the testimony we tried to make the point that we feel the major difference here is that the carriers receive a guaranteed profit and that so sharply reduces their incentive to settle that the pact is not comparable to the situation in which workers are provided strike benefits that are normally a very, very small fraction of their normal pay. I would add even that pay, in the present time, is barely enough to meet basic living expenses.

■ You wanted to ask a question?

Senator TUNNEY. I did not mean that. Obviously my question was not sharply focused enough. I have had it stated to me that the moneys that are paid into the Mutual Aid fund are pretax dollars, whereas, when the employees pay moneys into a strike fund they have already paid taxes on those dollars.

Would you address that problem?

○ Mr. GOLD. That is a sound point. In addition when you talked about the source of the funds another point that has always appeared to us to be valid is that the strikers make a judgment that they wish to help each other and take common cause. On the other hand you have travelers who are really the final source of the money that the carriers take in who do not want to support Northwest Orient Airlines or National in some of their endeavors to undermine the unions with whom they deal and who have no choice. Those travelers become a forced supporter of the recalcitrant management.

Senator TUNNEY. I would like to know, would a severe limitation on the amount of the Mutual Aid Pact payments help in your view to equalize bargaining power in the industry?

I am now looking at the question from the point of view of perhaps restricting the payments by some percentage of total revenues that the other companies who are supplying moneys to the struck company would be able to provide. Or perhaps to put a percentage limitation on the amount of money that the struck airline could receive, that percentage being a percentage of their total revenues the year preceding the strike.

Mr. GOLD. It is our view that such legislation would be a step in the right direction to assure that no carrier could be put in a position of receiving a guaranteed profit. That would be in essence the minimal first step.

In addition, there is another facet of the overall problem. You have carriers who are suffering losses, or at best are in a rather shaky position, and yet who are contributing money to other carriers. That seems contrary to the public interest in terms of the overall financial health of the industry. Thus, another and further step that could be taken would be to limit the amount that any one carrier could contribute to another so that we don't get the type of unfairness to stockholders, to creditors, and to, in essence, the airline as an entity, that we have at the present time.

But, as we have indicated before, our basic position is that while these are sound intermediate steps, and perhaps would have been sufficient 5 years ago, given where the matter stands today, the appropriate response is that in S. 306.

Senator TUNNEY. Was there any change in recent years in the pact itself which has resulted in the present condition in which an airline that was losing money can be struck and suddenly find itself in a profit position?

Mr. GOLD. I believe I can answer that accurately but I should caution that our colleagues who deal directly with the airlines know the economics better than we do and may wish to amend my response. My understanding is that prior to 1969, and the amendments made then which greatly increased the liability of the paying companies and greatly increased the amounts that a struck carrier could receive, the present problems of a guaranteed profit and these enormous

drains from financially troubled carriers, could not have occurred to the same extent.

The one convenient dividing line would be the 1969 and 1970 amendments which changed the situation as it had been in the past quite dramatically.

Senator TUNNEY. In your testimony do you outline what those changes were?

Mr. GOLD. Yes.

Senator TUNNEY. I will read it then, fine. I will read it in your statement.

Mr. BIEMILLER. May I also, Senator, call your attention in our statement to the third paragraph from the end where you have the unbelievable situation of the chairman of TWA boasting that he does not want a strike to end because he wanted the profits from the Mutual Aid Pact income to continue.

Chairman Tillinghast of TWA makes that statement, and—

Senator TUNNEY. As a result of this Mutual Aid Pact, is it feasible for employees of an airline to go on strike?

Mr. GOLD. Well, it is feasible, and legal, and there have been strikes—

Senator TUNNEY. Well, it is legal, but is it really—

Mr. GOLD. This is where we shade into the practical area that the specific unions can better address. All I can say is that even in light of the enormous hardships created by existence of the pact there have been strikes.

Senator TUNNEY. Are any Federal subsidy dollars to the airlines ever paid into the MAP fund? I am thinking now about such moneys that would be paid for transporting the mail or other kinds of subsidies.

Are there any that you might know of?

Mr. GOLD. I am simply not sure enough to give you an answer.

Senator TUNNEY. Do you know, Andy?

Mr. BIEMILLER. No, no.

Senator TUNNEY. Is there any evidence that certain banks have forced airlines into joining MAP?

Mr. GOLD. Again I would have to defer to our colleagues.

Senator TUNNEY. Maybe it would be best to wait then. Thank you very much, I appreciate your testimony and your being here.

Senator CANNON. Thank you very much for being here. You referred several times to Mr. Tillinghast's statement. I intend to ask him some of those same questions tomorrow.

Mr. BIEMILLER. I am glad you are and may I also say, Senator, we welcome the opportunity to appear and appreciate these hearings so that we are getting an airing of what has been a very, very sore point in the labor movement for many, many years.

Thank you very much.

Senator CANNON. Thank you.

The next witness is Capt. John J. O'Donnell, president of the Airline Pilots Association.

STATEMENT OF JOHN J. O'DONNELL, PRESIDENT, AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

Mr. O'DONNELL. Mr. Chairman, for the record I am John J. O'Donnell, President of the Air Line Pilots Association, International.

We have submitted to the committee a full statement which we respectfully request that the committee consider putting into their record.

Senator CANNON. The statement will be made a part of the record.

Mr. O'DONNELL. I have been president of the Air Line Pilots Association since January 1971. I am also an airline captain presently on leave of absence. I am before you to talk on a matter of serious concern to the 30,000 pilots and 14,000 flight attendants my association represents; namely, the Mutual Aid Pact.

When originally formed, the Mutual Aid Pact involved only six carriers: American, United, Capital, Eastern, Pan American, and TWA. Today, it has as its members almost all of the Nation's air carriers. Furthermore, while in the beginning the pact provided for only windfall payments, it now provides for supplemental payments which have converted strikes on airlines into a profitmaking event. The details of the pact, its formation, and levels of payments are fully outlined in my prepared statement.

The basic fault with the Mutual Aid Pact is that it provides the revenue to sustain industrywide bargaining in transportation by air when the basic need of the public served demands exactly the opposite. By pooling the resources of all the members of the pact toward the bargaining objectives which they have agreed upon among themselves, we have in fact, industry bargaining.

How better to obtain an industry objective than to put up money to insure against loss due to a strike. Just because there is only one carrier at the bargaining table doesn't alter the reality. If anything, this aggravates the problem.

ALPA's position has been clear on this point from the beginning. We are steadfastly opposed to this method of collective bargaining. It takes little imagination to perceive the chaos arising out of an industry strike in the airline business. ALPA has over the years consistently negotiated on a single-carrier basis by taking into consideration the particular route structures, seasonal fluctuations, and the special problems and economics of the carrier that we are negotiating with.

Moreover, each and every airline pilot group establishes its own objectives. It negotiates its own contract as dictated by the will of its membership. As a result of the Mutual Aid Pact and its stepchild Aircon, we are no longer in our traditional roles. We now face the rest of the industry across the table and their collective positions, and our carrier may have little choice in the positions it takes with us.

Now, how does industry bargaining actually take place under the pact?

Simple.

All one has to do is create a "stalking horse," a mercenary who would be willing to take a strike to achieve a long-sought-after industry objective. When you can provide the capital for the struck carrier to sustain itself during the strike period, you have all the ingredients necessary for a union-busting formula.

A number of the carriers party to the mutual aid pact have established an organization known as Air Line Industrial Relations Conference. It has about 21 carrier members. By the terms of the conference agreement it proposes to deal with labor problems and to act in the formulation of labor policy and collective bargaining. It was described by its executive vice president as a forum, not only for the exchange

of information, but one in which the carriers were to be "made directly aware of their common interests in particular negotiations or rounds of bargaining."

Let me quote the description of Aircon as given by its executive vice president, Mr. Ed Goulard:

A forum in which an individual carrier could be made aware of the extent to which its bargaining practices were damaging other carriers. While in the event of conflicting interests such awareness would not necessarily cause the offending carrier to alter its conduct, it might lead to adjustments of bargaining positions so as to ameliorate the harmful effects of a particular action on other carriers.

There can remain no doubt concerning the direction in which the carriers are moving by means of this combination of the mutual aid pact with the implementing device of air conference.

Let's look at what all this does to the consumer—the traveling public.

In order to fully understand the impact upon service to the public it is not enough simply to measure the length of strikes or their frequency; the carriers' use of partial service must be scrutinized. There is great incentive for the carrier to attempt a partial operation during a strike and to prolong both the strike and the partial operation.

Northwest, in 1970, provided the model for the rest of the industry in the conduct of a partial operation. The structure is simple. Discontinue service to communities exclusively served by that carrier. Reduce or discontinue service along routes served by pact members, comfortable in the assurance that windfall and supplemental payments will be returned under the pact. Where nonpact members are competitors, service is continued to preserve market identity.

All this occurs without the usual applications and hearings which are required by law to attend the granting or modification of certificates of public convenience and necessity.

The expectations basic to the Federal Aviation Act and the issuance of a Government license to run an airline carries with it the obligation to provide service during offpeak periods to areas which do not entail heavy load demands and to communities which have no particular means of replacing discontinued air transportation. None of these expectations are fulfilled during a partial operation.

In addition, the struck carrier is subsidized by payments from other carriers who may not be in a position to afford them. The Civil Aeronautics Board has been entirely compliant in the carriers' manipulations of the Government certification. The carriers have made profits, the Board has been compliant, and the public has been deprived of service.

Let me digress for a moment and consider normal collective bargaining as it takes place. The employer and employees are sitting across the table arguing their respective positions. Each side is listening to the arguments of the other as they go through the issues. Each side is subjected to the pressures of negotiations under the Railway Labor Act. Both the carrier and the union have goals that become tempered somewhat by the threat of what will happen if they fail to compromise.

Under normal circumstances, both sides have an incentive to avoid a strike. The Railway Labor Act provides for negotiation, mediation, and arbitration. It is expressly shaped to avoid substantial disruption of service.

Through this long process both parties face each other across the table.

Now comes the vicious aspect of the Mutual Aid Pact. We now have collective bargaining by remote control coming into play. The other carriers who have not been present through this process of give and take are actually helping to call the eventual outcome without suffering any of the consequences.

These other carriers help to determine the objective. They have a willing stalking horse. These other carriers provide the money. But negotiations and mediation are supposed to persuade all parties. Some of the parties never came to the bargaining table. All parties are supposed to be interested to avoid the impact of a strike. But only one took the strike and it got well paid.

This is how the very basis of collective bargaining under the Railway Labor Act is being subverted. The board hearing examiner found, and I quote from his report:

It is evident that one of the motivating factors was the dissatisfaction of the operation of the Railway Labor Act in the air transportation industry. The carriers under the leadership of the ATA have apparently extensively explored ways and means to rectify the deficiencies which the carriers believed made it "unsuitable to the air transportation industry regardless of its effectiveness in the railroad industry."

Nothing could more clearly condemn the pact as subverting national labor policy in air transportation than this plainly marked attempt to escape from the obligations of the Railway Labor Act.

There is no surer way to frustrate the proper functioning of the act than the given determination on the part of the carriers that it won't work and by using the Mutual Aid Pact they won't let it work.

What has been the fallout from this pact?

First of all, the strike data contained in ALPHA's full text, marked Appendix "A" support our conclusion that strikes with mutual aid payments have become longer in duration. Under normal economic conditions, a carrier has every reason to settle quickly, it restores his cash flow and reduces his losses. The pact has changed all of this. Not only does the profitability of a strike remove the incentive to negotiate and settle quickly, it actively promotes longer strikes by enabling a carrier to pick the time when he wants to resume service.

A struck carrier who is a member of the pact would be foolish to resume service at a time when traffic is in a seasonal downcycle. He is better off to bide his time, refurbish his fleet with the help of non-union employees or supervisory personnel, and resume operations when the moment becomes timely.

In his initial decision, Judge Present detected a noticeable trend in this direction and conjectured that:

It is not farfetched to conclude . . . that . . . the higher level of "supplemental" benefits now available could influence management's judgment as to when it is timely to settle a strike.

We submit that such a possibility is no longer idle conjecture. The Texas International strike could have been settled months ago for approximately the same terms that were ultimately accepted. The carrier repeatedly refused to negotiate or arbitrate, obviously waiting for a propitious time to settle before resuming service. This could not have been done without the pact.

Who have been the major recipients of these money benefits from the pact? The airlines with the worst labor relations, that's who.

Our chart 4 in our long text, following our prepared statement, shows a bonanza has befallen National, Northwest, and TWA.

The major contributors to this slush fund have been United, Eastern, American, and Pan American.

Another question must be put—who in terms of the financial need have been the recipients of these large sums? Experience reflects that those carriers ranking high in profitability have been on the receiving end of mutual aid payments to the greatest degree.

The principal contributors have included carriers least able to afford the contributions. Taking 1970 as a good sampling year, most of the contributors suffered losses. Northwest, the chief beneficiary, would have about broken even without mutual aid payments; it made a profit which was twice that of Eastern's and seven times that of Continental's. United, by its own estimate, suffered a very severe loss in its working capital by reason of mutual aid payments.

Pan Am paid out \$28,846,000 in 1970, which, as we know, it could not afford.

We applaud Pan American for announcing its intention to withdraw from the pact. We only hope that they don't go bankrupt by paying out more money to another struck carrier before they have a chance to be legally free of their obligations.

One would suppose that in these times of deepening financial crisis in which the airline industry largely finds itself, that there would be a preoccupation by the carriers and the CAB with measures which deal with aviation's real problems and not with "how to beat the hell out of labor."

This philosophy is so remote from the ailments which truly touch the airlines as to make the pact a senseless bludgeon.

Mr. Chairman, the Air Line Pilots Association finds itself at a crossroads. Our traditional methods of negotiations are being taken out of our hands. The pilots and flight attendants for whom I speak are committed to one set of ground rules. Those rules are contained in the Railway Labor Act and the Federal Aviation Act.

We have every right to demand that the carriers live by these same rules. If the ever-mounting coalition of airline companies continues, there is no doubt that the forces of labor will have to align themselves to meet these pressures. By what means it is perhaps too soon to say.

Let me be perfectly clear.

We do not wish a further escalation in confrontation. We want to return to the original intention of the Congress when they adopted the Railway Labor Act and the Federal Aviation Act.

We can see only one way to accomplish that end: Congress must outlaw the Mutual Aid Pact.

Thank you very much, Mr. Chairman.

Senator CANNON. You referred to the year 1970 for one purpose. How many strikes were there in the industry last year?

Mr. O'DONNELL. In our submitted statement, sir, we have the number of strikes occurring. There were five strikes in 1974, sir.

Senator CANNON. Five strikes?

Mr. O'DONNELL. Yes, sir.

Senator CANNON. How many of those were strikes by your organization?

Mr. O'DONNELL. One, sir. It was a 2-day strike on Braniff Airlines which should never have occurred. I was in the negotiations myself directly, and the strike strictly resulted from management trying to teach us that they would take a strike. The settlement they got after the 2-day strike was much costlier than what they could have gotten had the strike not occurred.

We agreed to accept a mediator's proposal; the company rejected it.

We agreed to extend the strike deadline; the company rejected it.

They sat back and drew close to \$1 million a day in Mutual Aid payments and the pilots collect nothing, of course, for the first 30 days from the strike.

Senator CANNON. How many negotiations did you carry out successfully last year?

Mr. O'DONNELL. I could give you that for the record but I would say we had probably 20 to 25 rounds of negotiations.

Senator CANNON. That were resolved satisfactorily?

Mr. O'DONNELL. That were resolved, sir.

Senator CANNON. Well, I meant resolved other than by strikes.

Mr. O'DONNELL. Yes, sir.

Senator CANNON. The thing that impresses me, you say here that the Mutual Air Pact and the attitude it instills does violence to the collective bargaining process and hurts your members. Now based on the strikes that you have had last year and the settlements that you made it seems to me that you're not a very good example for that proposition.

Also, if I could go one step further, based on current airline pilots wages, it seems to me that you're in pretty good shape despite the Mutual Aid Pact.

Mr. O'DONNELL. We seem to be able to establish our pilots salaries mostly on the carriers not in the pact though. For example, the airline wages that everybody seems to be raising such a stink about across the country for the last 6 months is the \$82,000 figure that keeps getting quoted.

That rate negotiated on Delta Airlines is more a figment of the imagination of management. We have very few people reaching those salaries, and they only reach them if they were employed by the company for 32 or 33 years and we probably have 5 to 10 line pilots that are in that range.

But yet, the data we have—

Senator CANNON. Are you saying you only have 5 or 10 pilots in your organization that earn \$82,000 a year?

Mr. O'DONNELL. Based on the latest figures we have, 1973, we have updated Delta's which is in our big report. But we show that we had nobody in that range. The fact we had negotiated those rates—it's a paper rate of 75 hours half day/half night; and we have few of our members in that range.

We find that our members who get that rate are in the management structure and I will give you an example.

In 1973 we had four pilots, top senior pilots retiring on Delta earning an average of only \$32,000.

There were 13 that were 59 years old earning an average of \$52,000.

Yet we have seen airline companies announcing in the press that we are breaking the airline industry because we just negotiated a \$82,000 figure at Delta.

In our statement we updated those figures for 1974 and this data is taken from the W-2's from the company records as well as ours and we find that I believe the average Delta pilot's wages are \$34,000.

Senator CANNON. Well, you are saying wages solely. You are not including wages and fringes?

Mr. O'DONNELL. No. I am responding to a statement that they put in the papers that we were making \$82,000 and that it was \$100,000 including fringe benefits.

I am saying that that figure is not so.

Senator CANNON. I hope you can be here tomorrow and listen to the testimony because one of the charts that will be made a part of the record tomorrow shows the salary for a captain working domestic operations, three levels, low and high extremes and a high figure that will be in effect in 1976. The range goes from a low, including fringes, compensation and fringes domestic operations, of only \$82,200; the high is \$90,900; and the high in 1976 under the contract of \$103,500.

I hope that you will take a look at those charts. That is for the 747's now.

Mr. O'DONNELL. Senator, those figures are ridiculous. Let me take the facts and—

Senator CANNON. Well, they kind of look ridiculous to me, too.

Mr. O'DONNELL. They don't to them I guess. If you have an imagination and creativity in the airline business you can do great things; one is to create reports to submit to the Congress.

Let me state the facts. All of the pilots in our association, we have the total data for 1973, and the average of all the airline pilots salaries in 1973 was \$32,874; that is nowhere near some fictitious \$82,000 you've seen.

The average captain in 1973 earned \$42,900.

You may go to the international area which is Pan American, and Pan American has most of the 747's, the average captain on Pan American made \$49,600 in 1973.

Senator CANNON. Was that including fringes?

Mr. O'DONNELL. No, sir, but they average 20 to 25 percent for fringes, so that would bring it up to \$60,000 at the most.

Senator CANNON. To go a step further, on the 727's now, the B-727's, the low salary is \$58,200; the high is \$65,100; and the high under the 1976 contract is \$74,200. That, by the way, includes fringes.

Mr. O'DONNELL. We don't have them broken down in that way but we can develop the accurate figures for the staff.

Senator CANNON. We can go to compensation only and the low is \$45,700; the high is \$51,100—this is the B-727—and the high under the 1976 contract is \$58,200.

So, you may want to examine those charts and figures and then supply some comment to us for the record as well.

Mr. O'DONNELL. I would like to in addition, if the Chairman would accept it, we would like to submit the latest data which has to be supplied to us by the industry people which was the W-2 statement data, because we needed it, for dues adjustments.

Senator CANNON. All right.

Mr. O'DONNELL. We would like to submit that for the record which has all airline salaries by company and by seniority.¹

Mr. O'DONNELL. If you take Delta Airlines which is the one they are always talking about, sir, we had 13 pilots aged 59 in 1973 that averaged \$52,000 in salary. Adding a 20-percent fringe it would be maximum \$62,000.

And that is the airline that ATA says we have the \$82,000 to \$100,000 salaries.

The next gentleman, aged 58, had an average of \$46,000 salary. These are flying DC-10's and the L-1011's of course.

We negotiate salaries, sir, on the basis of a maximum yield potential per month, 75 or 80 hours, half day/half night and very few of our pilots reach that potential.

A good example is Aloha Airline, a smaller one. We establish the half day/half night rate but they have only about 5 percent night-time flying. There is no way anybody can reach those figures.

We see those figures being put to the press every time we go to negotiation. But for some reason the airlines don't come back responding by saying "Well, those rates of pay are established without the threat of a strike."

No, because they were reached without even going to mediation. We didn't even have to go to mediation to get those wages. That is because of our productivity.

Senator CANNON. You say the pilots are not eligible for strike funds until after 30 days; is that your testimony?

Mr. O'DONNELL. Yes, and then it must be voted on and it's only when we are the initial cause of the strike that it is approved. In other words, if ALPA is on strike, we ballot our board of directors to authorize strike benefits. If it is a strike by another union such as Texas International, or National or Northwest, when it's another union we have to ballot our entire membership and get a two-thirds membership to vote strike benefits.

In the last 14 strikes in the aviation industry our members received benefits in 4. One was Northwest, and then Texas International was approved because we saw the Mutual Aid Pact becoming a very cancerous thing in the industry.

The one before that was Ozark—well, not Ozark. Hughes Air West it was.

Senator CANNON. Well, wouldn't the fact that you have only been involved in one strike with so many successful negotiations in the last year indicate that you have been able to operate reasonably well under the pact?

Mr. O'DONNELL. No, sir. Because my members lose wages when another union is on strike. Texas International was on strike, and my members lost wages during that 125 days of that strike so our members do not benefit from the aviation industry because the Mutual Aid Pact encouraged Texas International to force that strike. That was not really a strike. After the 30-day cooling-off period, the company rejected the offer, and the company then instituted work rules and the union had to walk off the job.

They were going to sit there and enjoy the profits from the Mutual Aid Pact.

Senator CANNON. Did your members get benefits during that strike?

Mr. O'DONNELL. Strike benefits?

¹ See p. 207.

Senator CANNON. Yes.

Mr. O'DONNELL. Yes; we just voted them about 2 weeks ago.

Senator CANNON. And is that a retroactive ruling?

Mr. O'DONNELL. Yes; it will be to 30 days after the strike occurs, and the benefit is between \$300 and \$450 a month depending on their wages.

Senator CANNON. If Congress abolished the Mutual Aid Pact thus denying the self-help alternative to the companies, do you think we ought to forbid unions to operate strike funds for the benefit of the employees?

Mr. O'DONNELL. No, sir. I can't say that because there is no comparison to them. You take an employee who gets anywhere from 8 to 17 percent of his wages, he doesn't get that for the first 30 days which is the most crucial part of the unemployed period, and most of the pilots in the country, most of the employees in the country are not eligible for unemployment compensation. In the State of New York they are denied them. We have had several instances where we have had them, but in Texas recently the company went to the agency and tried to deny our members benefits and the stewardess and the other employees, from getting unemployment compensation.

Senator CANNON. Were they denied unemployment compensation?

Mr. O'DONNELL. Yes, they were, sir. And if—

Senator CANNON. By the State?

Mr. O'DONNELL. Yes, sir. And the company went and said the strike would not have occurred had the pilots gone to work.

I heard some of the testimony earlier and some of the questions by Senator Hartke that there is a desire on the part of some of these airlines to use unions against each other. There is no way in this heaven that airline pilots will be used to break another union strike. I don't care how small it is.

But that has been the effort of the ATA in past years. They have a strike with mechanics or something, and they take us to court.

Since I have been president of this association we have not crossed another picket line and we are not going to.

Senator CANNON. Senator Tunney.

Senator TUNNEY. I was just curious if you could answer the question I posed a bit earlier to Mr. Biemiller, and that is the question about the banks encouraging the airlines to join the Mutual Aid Pact.

Do you know anything about that?

Mr. O'DONNELL. We have heard rumors of that, Senator, and the airline would go to a bank seeking long-term commitments for acquisition of new aircraft and they would want to know, the bank would want to know their labor relations posture and whether or not there was any chance of long strikes and what protection did they have, or what was their attitude.

It has been strictly back-fence rumors on the different properties, but the airlines are very successful in keeping their management attitudes and activities from us. We hear that frequently they are asked as to whether or not they are a member of the Mutual Aid Pact.

Senator TUNNEY. One of the arguments that is made by those who oppose any change in the pact, and I think if this bill gets to the floor of the Senate, we are going to hear this argument made by Senators,

and I would like to have you have the opportunity to answer it so would be in the record and it would be a part of our deliberations on the floor.

That is, if you eliminate the Mutual Aid Pact or prevent the airlines from sharing their profits or their revenues, that the same argument could be made with respect to unions sharing strike funds.

For instance, the payment that the UAW and so on made to the Farm Workers in California was an interunion transfer.

In the case of the UAW, when they strike Ford, they are able to use strikes dues that have been paid in by General Motors employees and Chrysler employees in order to benefit their workers who are striking Ford.

Clearly, that is a part of the American labor tradition and something which I do not want to see changed. But, I would like to know what the answer is to that charge that this would have the effect of giving an imbalance to labor-management relations by creating a separate law for the employers' ability to transfer funds from what exists for employees?

Mr. O'DONNELL. There are two ways to answer that, Senator, and it is a good question.

First off, the individual—as I heard earlier—the individual employee's strike benefits are after tax. The employer's is not. It is before tax. In fact, it is even from an airline who is subsidized paying the aid.

There is a tremendous difference in the amounts. When you talk about 10 percent strike benefit to somebody, that is within his own union, and compare that to the amounts of money being exchanged by the Mutual Aid Pact.

In the last 6 years, my members have lost \$65 million in income and most of those strikes we were not a participant in the strike. But, believing in basic trade unions principles—we would not cross picket lines—we therefore accepted this loss.

In each case where our members get benefits, they must be voted in each case. There are rare exceptions where our members received benefits from our fellow pilots from other airlines when it is a Mutual Aid Pact strike.

One was AMFA on Air West and the recent one, Texas International. Ozark was submitted to vote twice and not approved both times. It was turned down on Northwest when BRAC struck Northwest in 1970.

One of the things we have strike benefits for is to hold the home together for 100 days or so. This is a long period of time to be off. So therefore you are only getting 10 percent of it.

I know of no case in the airline industry where there has been gratuities or gifts or loans to other interunions when they had a strike. As I stated to Senator Cannon a few moments ago, it is a rare instance when we are able to get unemployment compensation.

But, more important than that, Senator, is what is the balance in the Railway Labor Act or the negotiating structure for the airline companies to have the Mutual Aid Pact and the employees to be sitting there in the status they are now?

There is a balance. We have no alternative but to give serious consideration to it. This is when an airline, take Texas International, goes on strike and they are recipients of MAP funds.

That every airline that contributes to that strike, the employees should not cross Texas International picket lines. All we have done for the past 15 years is kept the picket line issue to that property, not to the mutual aid carriers.

But the pact crosses every carrier's barriers and boundaries. The only response unions are going to have, it will be all of us, but the public and the Congress will rue the day we have to respond to the Mutual Aid Pact, in that fashion.

We have tried to appeal it to the CAB. We went to the courts. Now we are coming to Congress saying the Railway Labor Act is being discarded by the airline industry and we are hoping that Congress will see what has happened to the industry and take some action against it, because if they do not, the employees cannot be subjected to the pressures we are under now and I am talking about all the employees of the airline industry.

Our industry is going to suffer as a result of it. When the industry suffers, we suffer also.

Senator TUNNEY. Thank you.

Senator CANNON. You indicate that this is a thing that has created real problems for you and yet when I look at the Bureau of Labor Statistics, I find that the incomes of airline employees as a group, that includes pilots, flight attendants and all other employees, are rising faster than those of any other industry except the building trades, and the salaries are increasing at about twice the rate as the cost of living—that's the Bureau of Labor Statistics, not mine.

It doesn't quite jibe with the statement that you cannot exist under that Mutual Aid Pact.

Mr. O'DONNELL. Doesn't that prove that the Mutual Aid Pact has been a total failure if those facts are correct?

Senator CANNON. Well, I don't know. I am not the one that's testifying on it.

Mr. O'DONNELL. Let me answer a different way, sir. I don't mean to be facetious. There is no industry in this country that has enjoyed the galloping rate of increase in productivity than the airline industry. If you take some of the charts that we have in our original report, you will see how since 1969, the growth rate has been phenomenal.

You go back to the early 1960's with introduction of jets and look at available seat miles and you crank into that what it costs for all employees including pilots—and you can separate pilots out because the airline industry does it to us frequently—you will see the employees of the airline industries, their cost per available ton mile has increased very, very slightly, very slightly.

The Government keeps talking about it, the Department of Labor—we don't mind pay raises as long as they are tied to productivity.

Well, the productivity of our employees has been phenomenal for 15 years. There's no question that our salaries are very high and very good. I cannot say that for the entire employees of the airline industry, but I think they have a comfortable wage.

They perhaps have not been as successful as we have. Our wages were tied to an original decision, sir, as you know, from the decision 83 on what our productivity was, how it was to be paid.

When the airlines but these new wide super body aircraft, the 747, 1011, and DC-10, they have a figure to crank into that what employee costs are going to be, including pilot costs.

If they are going to be exorbitant, they shouldn't buy them. The thing that happened, Senator, the airlines made tremendous commitments in the 1960's for deliveries in late 1960 and 1970, and early 1971-72, for tremendous numbers of wide body aircraft.

They had to make those decisions. It takes that much preplanning. The only thing is when the aircraft began to be delivered, the business leveled off and they didn't reach their 50 percent load factor which historically has given a substantial profit.

They turn around now and say they need the mutual aid to fight high inflationary labor settlements they have to put into effect because that is the reason these companies are in bad shape.

As a whole, the airline industry has not done bad for the past 10 years. No industry enjoys continual growth and profit without a down cycle. They are in a down cycle. They made commitments for large volumes of wide body aircraft. They cannot blame the employees for those decisions.

It was ludicrous to make those decisions 5 or 7 years ago and come out and blame the employee costs today for the reason they are in such dire straits.

Senator CANNON. Obviously they cannot blame everything on the bad judgments that were made with respect to equipment or capital investment. I heard some "oh's" and "ah's" when I made a statement a few moments ago from the Bureau of Labor Statistics. I will read into the record the increases for the past 5 years, not including 1974. I don't have those. But, 5 years, including 1973.

The airline industry was increasing 9.9 percent in 1969; that was over the previous year and the industry increase, the U.S. industry increase was 6.9 percent.

For 1970, the average employee compensation in the airline industry increased 13.1 percent over the previous year; and the U.S. industry average was 7.1 percent.

For the year 1971, the airline industry increased 9.5 percent over the previous year; for the U.S. industry average, it was 7.1 percent.

For the year 1972, the airline industry increased 10.5 percent over the previous year; for the U.S. industry it was 7.5 percent.

And, for the year 1973, the airline industry increased 8 percent, and the U.S. industry as a whole increased 6.5 percent.

So you see the airline industry in each one of those years was far ahead of the average of U.S. industry in percentage of employee compensation increases.

Mr. O'DONNELL. But Senator, you must also, when you do that, tie it to productivity. And, if you look—I have the figure of productivity since 1960, if you would like.

The available ton miles for total system trunks that were available in this industry in 1960 was about 8 billion ton miles.

Senator CANNON. But since 1969, the figures that I used there, hasn't it been static?

Mr. O'DONNELL. No, sir, the available ton miles in 1969 were 38 billion. They are up to 39.5 billion in 1970; 42.5 in 1971; 43.5 in 1972. I don't have 1973 and 1974, sir.

And labor—employee costs did not increase during that period of time for available ton miles. You are taking them in isolation. Take them and compare it to productivity which hasn't been that bad.

If the airlines had only purchased enough capacity to maintain a 50 percent load factor, they would have so much profits around here, they would be carrying the national debt right now.

But that was their decision to buy those airplanes. We have 747's parked against the fence out in the desert out there.

Senator CANNON. Well, I hope the rest of your statement is more accurate than that one.

Mr. O'DONNELL. Well, sir, we have five 747's parked out in the desert and the 747's cost \$28 million.

Senator CANNON. I am not questioning the fact that they used judgment in many of those areas. But, your broad categorization there is certainly not correct.

Mr. O'DONNELL. The national debt?

Senator CANNON. Even if the pilots were reduced to half pay, that wouldn't take care of it.

Mr. O'DONNELL. Senator, I recall the day you gave a speech at the Aviation Club one day and you quoted that the pilots would probably seek \$100,000 to fly the SST and as you know, I rejected that.

Senator CANNON. I know, it wasn't high enough.

Mr. O'DONNELL. Thank you.

Senator CANNON. Thank you, gentlemen.

We will recess until 2:00 o'clock.

[The statement follows:]

STATEMENT OF CAPT. JOHN J. O'DONNELL, PRESIDENT, AIR LINE PILOTS ASSOCIATION

Mr. Chairman, my name is John J. O'Donnell. I am President of the Air Line Pilots Association, International, a position I have held since January, 1971. Prior to assuming this office I flew as a Captain for Eastern Airlines, having joined that company in 1956. I am currently on an approved leave of absence from Eastern Airlines and will remain in that status through 1978, having just been elected to a second term of office.

As you probably know, ALPA is the union that represents almost all of the commercial airline pilots in the United States.¹ We were founded in 1931 and have been affiliated with the AFL (now, the AFL-CIO) since 1933. Accordingly, I appear before you as the elected representative of over 30,000 professional airline pilots.

The gentlemen who accompany me at the table today are Michael Sparrough, Director of Research for ALPA, and Gilbert Amyot, a staff attorney. These gentlemen have a firm grasp of the complex issues before this subcommittee and are here to assist me in answering any questions that you may have concerning ALPA and our position.

Mr. Chairman, I have testified before you and your committee on many occasions. We are far from being strangers. However, I can say without hesitation that the testimony that we are giving today is among the most important that ALPA has ever submitted. Frankly, I can think of no hearings—past, present or foreseeable future—that can compare to these hearings in importance. The Mutual Aid Pack—"MAP" or "The Pact" as it is commonly referred to—is a volatile issue for pilots, as well as all employees of the airline industry. All too often we are unwittingly touched by its ruthlessness. Pilots flying for Northwest and National, in particular, have seen MAP repeatedly deprive them of millions of dollars in wages that can never be recovered. They have seen MAP disrupt their lives for months on end at periodic intervals, deplete their savings, and cause unparalleled hardships that have left them permanently embittered.

¹ ALPA is the duly authorized bargaining agent for airline pilots and cabin attendants of almost all of the U.S. trunk, international, regional, local service and supplemental carriers in the United States.

ALPA's basic position is that MAP is not in the public interest, as the carriers insist it is, and that it must be abolished. We believe (and we shall demonstrate) that MAP has undermined collective bargaining to such an extent that the keystone of the Railway Labor Act—negotiations—has been all but abandoned and replaced by the abrasive principle of open confrontation. This concept, we submit, has tipped the economic scales so decidedly in favor of the carriers that few of them now seek to avoid a strike, and many of them actually encourage and look forward to a work stoppage; for strikes today, as we shall see, have become extremely profitable for a carrier. Understandably, this anomaly has removed all incentive for an early settlement and has resulted in serious and increasingly protracted work stoppages.

Mr. Chairman, this situation can no longer be permitted to continue. We have presented our arguments to the Civil Aeronautics Board only to see them politely brushed aside. The Board is fond of demurring to requests affecting labor policy, preferring to say that it has no expertise in labor matters—unless, of course, the carriers stand to benefit from a Board action. We have taken numerous appeals through the federal judiciary and consistently have been denied redress. Long settled principles of administrative law make it exceptionally difficult to reverse an administrative agency on matters involving policy, even though that agency admits it has no policy expertise in the area. In this regard, the courts have consistently held that the CAB has not overstepped the limits of its statutory authority and that the broad discretionary powers it possesses under the Federal Aviation Act have not been abused.

With this background of frustrations, our only remaining remedy is to amend the Federal Aviation Act, thereby establishing fixed parameters which the Board cannot circumvent. This is why ALPA is here today. It is also why this hearing is of paramount importance to the future of peaceful air commerce in the United States.

Our testimony shall address the following, important questions:

- (1) What important events led to the formation of the Mutual Aid Pact?
- (2) How did the original Pact work and how has it developed?
- (3) What are the alleged objectives of the Pact and are they being achieved?
- (4) What are the real objectives of the Pact?
- (5) What effect has the Pact had on the Railway Labor Act?
- (6) What effect has the Pact had on the public interest?
- (7) What legislative solution does ALPA seek?

The answers to these questions, we believe, will conclusively prove that the Mutual Aid Pact is harmful to everything it touches and that it unjustly abrogates labor's right to bargain collectively. We believe, moreover, that the arguments and data that we have marshalled for this presentation, will show that the Pact is not in the interest of a reliable air transportation system. For these reasons, we shall conclude that the Pact must be legislated out of existence if the rights of the traveling public are to be protected and if equity and balance are to be restored to employee-carrier relations.

THE MUTUAL AID PACT: BACKGROUND LEADING TO THE ORIGINAL 1958 AGREEMENT

The Mutual Aid Pact is an agreement among air carriers, whose terms provide that a carrier member faced with a strike shall receive financial aid from other carrier members according to a set formula for payment. This formula, as we shall see, has been modified over the years in order to provide for increased benefits. However, the basic goal of the Pact has remained essentially unchanged: carrier unity in the face of legitimate union demands which they have termed excessive.

According to the carriers, the 1958 Pact was allegedly conceived, drafted and negotiated in a five day period—October 27-31, 1958—in order to provide financial assistance to Capital Airlines in its dispute with the International Association of Machinists (IAM).² However, it has since been established that an agreement of this character had been in the drafting stage for some time, and that the situation involving Capital was merely an excuse that provided a convenient testing ground.³

² On October 17, 1958, Capital was struck by IAM in a labor dispute involving seven carriers. This strike followed hearings and individual settlement recommendations made by a Presidential Emergency Board appointed to hear the controversies. The IAM refused the recommendations and, upon expiration of the 30-day cooling off period, struck Capital. The strike continued for 37 days and was ultimately settled on terms more favorable to the IAM than those embodied in the Emergency Board recommendations.

³ George Spater, then counsel for TWA and, more recently, Chairman of the Board for American, was the drafter. He had been seeking a method to cope with labor problems which the trucks anticipated with the delivery of the first commercial jets.

Thus the Pact was but a first step aimed at revising carrier policies vis-a-vis labor negotiations. It was motivated by growing carrier dissatisfaction with the operation of the Railway Labor Act. It was thought that such an agreement would have the effect of forcing compliance with Presidential Emergency Board findings, thereby avoiding strikes.

BASIC PROVISIONS OF THE ORIGINAL 1953 PACT

The original Mutual Aid Pact involved only six carriers: American, United, Capital,⁴ Eastern, Pan American and TWA. It provided solely for "windfall" payments⁵ by participating carriers to a carrier suffering a strike. Moreover, payments were authorized only for strikes in support of union demands in excess of Presidential Emergency Board recommendations; for strikes which were called before a union had exhausted its pre-strike procedures under the Railway Labor Act; or for strikes which were otherwise unlawful (wildcat strikes).

The agreement was submitted to the Civil Aeronautics Board for approval pursuant to Section 412 of the Act—a section that does not specifically require a hearing, leaving the matter to the Board's discretion. Despite numerous objections from a large number of parties, the Board on May 20, 1959, approved the Mutual Aid Pact for a period of one year *without* the benefit of a full, evidentiary hearing.⁶

THE PACT IS EXPANDED AND EXTENDED: 1958-1964

It was inevitable that after this significant breakthrough had been achieved by the carriers, the advantage so easily obtained would be pressed to the limit. Thus, even while the Board was considering the original six-carrier Pact, "the carriers were actively seeking to either amend the Railway Labor Act or strengthen the Mutual Aid Pact by incorporating group bargaining with the insurance principle."⁷ Numerous amendments expanding the concept of mutual aid were drafted and submitted to the Board for approval between 1958-1962.⁸ These amendments extended the length of the Pact, provided for admission of new members, expanded the coverage of the Pact to include virtually all strikes, increased the scope of windfall benefits, and, for the first time, provided for "supplemental payments."

On June 20, 1960 the CAB perceived that the original Pact was being substantially amended and, upon the urgings of various labor parties (including ALPA), instituted a full, evidentiary investigation into the Pact's legality.⁹ However, during this interim period, the amendments were in full effect. A hearing was held before Examiner S. Thomas Simon who subsequently issued a decision approving the Pact in its entirety.

The Board thereupon granted review of the Initial Decision.¹⁰ Briefs were filed and oral argument was heard. On July 10, 1964, an Opinion was issued adopting Examiner Simon's Initial Decision with the minor exception that approval was limited to a three-year period instead of the five years requested by the carriers.¹¹

RESULTS OF THE 1964 OPINION

The results of the Board's Opinion were significant to say the least. From the original, modest, six-carrier agreement which provided limited windfall benefits in situations of extreme urgency, the Pact emerged as a powerful anti-union bludgeon that involved nine of the 11 trunk carriers¹² and that provided far-reaching benefits to a struck carrier.

⁴ Capital, one of the original members, has since merged with United.

⁵ Windfall payments are payments equivalent to the increased revenues of nonstruck carrier parties that are attributable to the strike, less any added direct expenses. The Pact also provided that a struck carrier should direct as much of its traffic to other Pact members, thereby increasing its windfall benefits. This latter provision, however, was rejected by the CAB.

⁶ The Board satisfied itself with the procedural shortcut of simply calling for briefs and holding oral argument. None of the facts then under dispute were ever subjected to the test of cross-examination.

⁷ Mutual Aid Pact Investigation, Docket 9977; Initial Decision of Examiner S. Thomas Simon, reported at 40 CAB 559, 598 (1964).

⁸ These amendments are summarized in Examiner Simon's Initial Decision, *supra* at 40 CAB 633-634.

⁹ Order E-15413, June 20, 1960; 31 CAB 977. By this time, Braniff, Continental, National and Northwest had been added as Pact members.

¹⁰ Order E-19796, July 11, 1963.

¹¹ Mutual Aid Pact Investigation, 40 CAB 559 (1964).

¹² Only Delta, Northeast (since merged with Delta) and Western now remained outside the fold. Members now included American, United, Eastern, TWA, Pan American, Northwest, National, Braniff and Continental. Moreover, the participants had an aggregate output that was approximately 90 percent of all trunk traffic.

The most important change effected was the adoption of "supplemental benefits" over and above existing windfall benefits. These benefits guaranteed a carrier member involved in a strike 25 percent of its normal operating expenses, in addition to windfall. Under the formula approved by the Board, each member's contribution was set at a percentage of the total revenues of all members during the preceding calendar year. This percentage, in turn, varied according to an individual member's proportional market share of total revenues achieved during the past year. The ceiling established for each member's total liability was one-half of one percent of the prior year's total operating revenues.

Most importantly, in the long run, the Board's decision institutionalized Mutual Aid as a matter of administrative precedent, thereby tilting the balance of bargaining power in favor of the carriers. This, as we shall see later, unleashed an offensive weapon of awesome strength that was to initiate a series of major setbacks for labor and begin the subversion of "The Rule of Negotiations" implicit in the Railway Labor Act. However, one final amendment remained to be authorized which, in the final analysis, would complete the transfer of bargaining power into the hands of the carriers.

SUPPLEMENTAL PAYMENTS ARE ENLARGED

The agreement approved by the CAB in its 1964 Opinion was to expire in July, 1967. By application filed in May, 1967, the Pact members applied for renewal for an indefinite period. The Board thereupon instituted a new investigation and set the matter for a hearing.¹³

After a full evidentiary hearing, Examiner (now, Administrative Law Judge) Arthur S. Present in his Initial Decision of March 7, 1969, found that the Pact was not adverse to the public interest and should be approved for an indefinite period.

Shortly after Judge Present issued his Initial Decision, and while the matter was under review by the Board, new amendments were submitted which fundamentally altered the Pact in two major respects:

(1) The level of supplemental payments (over and above the windfall payments) was increased from 25 percent of normal operating expenses for operations shut down by a strike, to:

- (a) 50 percent of such carrier's expense during the first two weeks of the strike;
- (b) 45 percent for the third week;
- (c) 40 percent for the fourth week; and
- (d) 35 percent for any period thereafter.

In addition, the amendment increased the annual maximum liability of any carrier for supplemental payments from one-half of one percent of its air transport operating revenue for the previous calendar year, to one percent.¹⁴

(2) The conditions of entry were eased in order to permit any trunk carrier to join the agreement by November 15, 1969, without a waiting period or back payment. Moreover, a withdrawal notice of one year for all members was proposed.

Despite objections from ALPA and other labor parties, the Board approved the Pact in its totality, notwithstanding that the new amendments had not been at issue in the hearing.¹⁵

On reconsideration, however, the Board became persuaded that a hearing on the new amendments was required. This change of position was motivated in part by "the coincidence of two subsequent labor disputes involving National and Northwest [which] raise[d] serious problems with respect to the relationship between the amended agreement and its impact upon the stability of labor relations in the air transport industry."¹⁶

Once again the case wound its way through another evidentiary hearing before Judge Present. This time however, the issues were somewhat more complex¹⁷ and data relating to the National and Northwest strikes were very much in evidence.

¹³ Order E-26000, November 17, 1967.

¹⁴ United's system transport revenues for 1974 were \$2,183,572,000. The carrier's maximum exposure under the formula today would therefore be \$21.8 million.

¹⁵ Order 70-7-114, July 23, 1970.

¹⁶ Order 70-11-110, November 23, 1970.

¹⁷ In addition to the amendment of October 1969 which was the precipitating cause of the Board's action on reconsideration, the agreement was further amended in December 1970 to permit participation by local service carriers on the same terms as the trunkline carriers. This amendment was also included as an issue in the remanded hearing.

On March 27, 1972, Judge Present issued his second Initial Decision finding, this time, that the Pact, as amended, was not in the public interest and should be disapproved. Thus, while Judge Present remained convinced that the Pact, without the new, controversial amendments, was in the public interest, he concluded that the higher level of supplemental benefits created perils that eroded the objectives of the Federal Aviation Act. As we shall see later, evidence of flagrant abuses of supplemental payments by National and Northwest fully supported his findings.

Judge Present likewise objected to the inclusion of local service carriers as Pact members. His difficulty on this score was premised on the paradox of having a subsidized carrier contribute tax dollars to other carriers in the Pact. This has already occurred, a point we shall develop later.

Once more, the Board exercised its right of discretionary review and once again briefs were filed and oral argument was heard. Predictably, the Board refused to budge from its original position of approval and reversed Judge Present. Accordingly, the contested amendments received the necessary imprimatur and became an integral part of the Pact. Labor relations have not been the same since then and will not be until balance is restored.

THE GOALS OF THE PACT

We have seen, in our previous discussion, that the Pact is based on the simple concept of minimizing the advantages that striking employees in this industry (as in all unionized industries) normally obtain from having a strike-bound carrier lose revenues. This concept, although simple in form and design, allegedly seeks to achieve a number of complex goals. These are:

(1) The ability of a struck carrier to obtain financial insurance against the effects of a strike.

(2) The achievement of labor stability through the diminution of the strike's effectiveness as a weapon.

(3) The moderation of union demands through a greater ability to resist allegedly unreasonable and inflationary settlements.

(4) The ability to combat alleged union advantages during a strike.

(5) The improvement of carrier productivity through a greater control of salary costs.

We shall first consider whether these goals are reasonable and in the public interest. We shall then judge whether the carriers have been able to attain them through the Pact. Having answered both of these questions in the negative, we shall then consider what we believe to be the true goals of the Pact, the changes that it has wrought on the Railway Labor Act, and the deleterious results that it has worked on the public interest.

THE PACT: A PROTECTIVE SHIELD OR OTHERWISE?

The carrier-proponents have repeatedly argued that the Pact is a legitimate, defensive self-help mechanism. Past events speak to the contrary. Even before supplemental payments were adopted, windfall benefits often more than covered costs. Thus, when American was struck by the Transport Workers Union (TWU) in 1969, a strike that lasted 20 days, windfall payments alone covered 82 percent of American's operating expenses including depreciation and amortization.

Whether one subscribes to the argument that depreciation and amortization are principally a function of aircraft utilization rather than a function of time, or vice versa,¹⁸ we believe that these items should not appear as a cost item under Mutual Aid. For the circumstances giving rise to these costs are unique, temporary and wholly within the control of the carrier. Usually, when depreciation and amortization are treated as a function of time, the time periods involved are large (10-15 years) and a matter of weeks or even months becomes irrelevant. Therefore, this allowance should be waived when it is considered under the formula.

Applying this principle to the TWU-American strike, it is perfectly clear that since depreciation and amortization in that case amounted to \$5.3 million of the \$20.3 million that American received in total Mutual Aid payments, the carrier's estimated loss of \$5.6 million was largely a wash. Consequently, it is easy to grasp that if windfall payments alone can permit a carrier to break even during a strike,

¹⁸ The question is essentially one of accounting techniques and apparently, either side of the argument has its adherents.

supplemental payments will perforce propel a carrier into the black. And when supplemental payments are increased to the level authorized today, it is no small wonder that carriers like Northwest and National can be on strike for months on end while continuing to keep their stockholders content. It is no mystery why a carrier with limited resources such as Texas International Airlines will close the door on negotiations and welcome a strike as though it were manna from heaven. Carriers will undoubtedly continue to argue that the Pact is a legitimate means of defense. The length of recent strikes, however, convincingly establishes that the Pact is about as defensive and as subtle as an armored tank.

THE PACT: A MEANS OF INCREASING STABILITY OR DISRUPTION?

The carriers have argued that because the Pact reduces the advantages of a strike, it lessens the likelihood of future work stoppages and promotes labor stability. We believe that the point is invalid and that its premise is morally bankrupt.

Recent strike data (supplied herein)¹⁹ support our conclusion that the 1969 Pact amendments have substantially hardened carrier attitudes toward the need for a quick settlement. How else can we account for the fact that since these amendments have been in effect, the industry has gone through five of the longest strikes in its history? How else can we explain that Texas International Airlines, a subsidized carrier with limited resources, only recently concluded a strike after 125 days—and with apparent reluctance? Northwest, in 1970 and 1972, had stoppages of 160 and 95 days, respectively; National had strikes in 1970 and 1974, one lasting 107 days and the other 108 days. And the trend continues.

We must conclude that the Pact is being used by an increasing number of carriers in an attempt to bully their employees into compliance. This attitude, of course, has embittered employees and has strengthened their resolve to stand fast to demands that they deem are reasonable. The history of the labor movement in the United States has repeatedly demonstrated that workers will not be cowed by force, physical or economic.

The Pact, nonetheless, has affirmatively contributed to longer strikes and has prolonged the suffering of all workers unnecessarily. Under normal economic conditions, a carrier has every reason to settle quickly: (1) it restores his cash flow and reduces his losses; and (2) it maintains his identity in the markets he serves, thereby preserving one of his most important assets—his market share against competitors. The Pact has changed all of this. Not only does the profitability of a strike remove the incentive to negotiate and settle quickly, it actively promotes longer strikes by enabling a carrier to pick the time when he wants to resume service. Carrier operations are generally seasonal. A struck carrier who is a member of the Pact would be foolish to resume service at a time when traffic is in a seasonal downcycle. He is better off to bide his time, refurbish his fleet with the help of non-union employees or supervisory personnel, and resume operations when the time becomes propitious.

In his Initial Decision, Judge Present detected a noticeable trend in this direction and conjectured that: "It is not far-fetched to conclude that . . . the higher level of 'supplemental' benefits now available could influence management's judgment as to when it is timely to settle a strike."²⁰ We submit that such a possibility is no longer idle conjecture. The Texas International strike could have been settled months ago for approximately the same terms that were ultimately accepted. The carrier repeatedly refused to negotiate (or arbitrate), obviously waiting for a propitious time to settle before resuming service. This could not have been done without the Pact. Therefore, to say that Mutual Aid promotes labor stability is "double think" at its worst.

THE PACT: DOES IT COMBAT INFLATIONARY SETTLEMENTS?

From the preceding discussion, it should surprise no one that the ultimate cost of a settlement is unrelated to the length of a strike. The carriers, nevertheless, have repeatedly advanced the myth that the Pact is needed in order to control rising contractual costs. The facts convincingly explode this myth.²¹

¹⁹ See Appendix A for a profile of strikes in the air transportation industry since 1946. Page 1 of this Appendix also contains a glossary of abbreviations for all carriers and unions.

²⁰ Initial Decision, *supra* at p. 27. A two-day strike involving TWA in 1970 settled just in time for the start of peak operations at Christmas, and Mohawk's experience during the first quarter of 1971 were given as support for a finding that such a trend could develop.

²¹ We shall not attempt to address the issue of labor costs and worker productivity in the context of this discussion. We shall focus exclusively on the effect that the Pact may have had on the modification of pre-strike offers. The issue of productivity, as it relates to salaries, is taken up in the following section.

Judge Present found that the evidence submitted in the *Airlines Mutual Aid Pact Case* conclusively demonstrated that the Mutual Aid Pact has had no effect on labor settlements. Let us examine his findings.²²

In 1970 National was struck by the Air Line Employees Association (ALEA) and its operation was closed for 107 days. During this period, the carrier had mutual aid receipts of \$28 million and a net income of \$810,000, after a book-keeping entry of \$8.4 million in charges for depreciation and amortization.

The ALEA employees received no strike benefits of any kind. Consequently, it should have been relatively easy for National (with aid from the Pact) to break the workers who were not high salaried employees, being largely ticket counter, reservations, secretarial and baggage personnel. Nonetheless, ALEA was able to hold out and come away from the table with a good contract; one which a National witness later characterized as "reasonable-plus . . . a settlement which may have been a little less than that [which] would have fallen in the category of reasonableness."²³

In 1970, Northwest was struck by the Brotherhood of Railway and Airline Clerks (BRAC),²⁴ a strike which lasted 610 days. This particular strike was unusual in the respect that it was the first time a carrier ever used a partial operation in order to increase revenues under the Pact. Again²⁵ the union should have been demoralized and broken. Yet, it held out and achieved its initial goals. Under cross-examination, Northwest's witness (like National's) was forced to admit that the length of the strike had had no effect on the final settlement.²⁶

Judge Present also compared hourly wage rates among the trunks using mechanics as an example. He concluded that National and Northwest, the two carriers who have most used (or abused) the Pact since the 1969 amendments became effective, paid the highest to the next highest wages for the job classifications studied.²⁷

On the basis of these and other examples, it is no wonder that he concluded (as we do here) that the so-called moderating effect of increased mutual aid does not rest on factual data of record "but on pure surmise."²⁸

THE PACT: A NECESSARY WEAPON IN THE FACE OF UNION STRENGTH?

The carriers have alleged, on a number of occasions, that Mutual Aid is needed to combat union strength. The term, "union strength" has been normally used in the context of union strike fund benefits and a union's customary practice of honoring another union's picket lines.

Union strike benefits are far from compensatory and, with some unions, do not exist at all. We shall, however, briefly outline the extent of ALPA's benefits which, we understand, are the most liberal in the industry. These are:

Income bracket:	Daily Benefit Rate
Up to \$8,000-----	\$10.00
\$8,000.01 to \$13,000-----	11.25
\$13,000.01 to \$18,000-----	12.50
\$18,000.01 to \$23,000-----	13.75
\$23,000.01 and above-----	15.00

We must initially stress that ALPA strike benefits do not begin until the 31st day of a work stoppage. We must also stress that these benefits are not automatically invoked in the case of all strikes and that the procedure established for their invocation depends upon whether the strike in question was initiated by ALPA, or by another union.

In the case of an ALPA strike, benefits must be authorized by a majority vote of ALPA's 213 member Board of Directors. In the case of a strike initiated by another union, benefits can only be authorized by a two-thirds majority of the

²² Judge Present's discussion and findings on this subject are contained in his Initial Decision, *supra* at pp. 18-24.

²³ Initial Decision of Judge Present, *supra* at p. 19. The same witness expressed wonder at ALEA's ability to hold out. He said: ". . . it was a matter of amazement to me, I don't know how they were able to hold out. They did not get strike relief, and yet they did hold out." *Ibid.*, p. 19.

²⁴ BRAC represents essentially the same class and craft of employees as ALEA.

²⁵ Northwest flew a full pattern on routes where its competitors were non-Pact members, flew a partial pattern along routes served by Pact members, and discontinued service in unprofitable, monopoly markets. Thus, it preserved its market share and increased revenues.

²⁶ Initial Decision, *supra* at p. 20.

²⁷ Initial Decision, *supra* at pp. 23-24.

²⁸ Initial Decision, *supra* at p. 22.

entire ALPA membership. Benefits, in the latter instance, have been authorized on only two occasions: The Hughes Air West strike involving AMFA in 1971 and the Texas International strike involving ALEA, just concluded.²⁹

The benefits available (calculated according to the table set forth above) range from a minimum of \$300 to a maximum of \$450 per month, after the initial waiting period of 30 days has expired. Thus, the rates of compensation are well below the existing average monthly salary levels of \$2,740 per month.

We can conclude, therefore, that strike benefit plans can hardly compare to the millions of dollars per week which carriers receive through Mutual Aid—revenues which preclude an interruption in a carrier's cash flow from the very outset of a strike and which allow a carrier to earn a profit despite a strike.

Over the years, strike benefits have undoubtedly aided pilots in weathering the tribulations of a strike. However, they cannot be termed an obstacle to the settlement of a strike. In this regard, we remind the committee that ALEA was able to hold out against National in 1970 for 107 days despite the fact that its members received no benefits at all.³⁰ We must therefore conclude that union strike benefits cannot be used as a justification for the Pact.

Moving on to the issue of picket lines, we believe that inter-union solidarity in the face of carrier unity is indispensable to labor's very survival as a bargaining force. Otherwise, ALPA will invariably be used as a wedge to break the strikes of other unions.³¹ This was Northwest's stratagem with its partial operation during the BRAC strike in 1970. A court injunction was obtained forcing ALPA pilots to return to work. This undoubtedly put pressure on BRAC employees. Yet that strike persisted for 160 days and the resulting contract for BRAC employees was (as we have seen) more than acceptable.

We must conclude, therefore, that union resources and solidarity cannot compare to Mutual Aid as a weapon and that they are essentially unrelated to its reason for existence.

PRODUCTIVITY: ITS RELATION TO WAGES

The carriers, through the Air Transport Association (ATA), have propounded the view that airline employment costs have accelerated at a faster rate than in other U.S. industries. Thus, the ATA in a recent study has concluded that: "In the light of all that has happened since 1966, it is clear that better control of employment costs, again half of all operating costs, is the key to the health of the airline industry in the years ahead."³² The obvious impression that the ATA seeks to convey is that the main cause of the financial difficulties faced by the airlines is increasing employment costs. In the context of the Mutual Aid Pact, the point that the carriers seek to make is that the Pact is an indispensable tool in improving carrier credibility over the long run, thereby tempering union demands.

The fallacy inherent in that argument has been sufficiently rebutted in the preceding discussion. We believe that we have firmly established that testimony and data on recent strikes fail to show the existence of any causal relationship between Mutual Aid, on the one hand, and the final terms of a contractual settlement, on the other. Nonetheless, the issues of salary costs (particularly as they apply to pilots) and carrier productivity have long been a source of misunderstanding. For that reason alone, they will be addressed despite the fact that they are of doubtful relevance in this Committee's consideration of Mutual Aid Pact legislation.

PILOT SALARIES

In recent months, an intense and concerted publicity campaign has been directed at pilot salaries. The thrust of this effort seems to be the creation of a public impression that pilot salaries have skyrocketed and that every pilot earns in the vicinity of \$75,000 to \$100,000 per year. We have reason to believe that the focal point of this public relations effort is the legislation before this committee. Therefore, we welcome the opportunity to rebut it in this forum.

²⁹ Significantly, the involved procedure outlined above made strike benefits in the latter two examples available only after the strike was concluded. The fact that strike benefits were authorized for ALPA members affected by the ALEA strike against Texas International is indicative of growing pilot resentment against the Mutual Aid Pact.

³⁰ See our previous discussion on this strike, *supra* at p. 17.

³¹ It is virtually impossible to keep an airline flying in the face of a pilot strike. However, a mechanic's strike or a ticket clerk's strike can be broken through a combination of supervisory and outside personnel, if pilots can be forced to remain on the job. Pilots by their very nature are appalled at management's efforts to use them in this manner. No decent man will willingly acquiesce to a scheme whereby his co-workers can be destroyed.

³² Rising Employment Costs in Air Transport: A Concern of All, Air Transport Association, (1972), pp. 7-8.

The contract which has been used to foment this unprecedented furor is the current Delta pilot agreement. Let us examine the pertinent provisions of this document in the context of the publicity that it has received. Under this agreement, signed by ALPA in May, 1974, a handful of Delta captains flying B-747 equipment³³ can earn, under certain, improbable conditions, over \$100,000 a year (\$84,000 base salary, plus fringe benefits estimated at 25 percent of the base).³⁴ The contract was ignored by the media until September, 1974, months after it had been signed. Moreover, the press it received was highly unusual. Many of the articles which appeared contained critical comments attributed to officials of other airlines. These statements largely focused on the over \$100,000 maximum to the exclusion of all other provisions, leaving the public with the impression that *all* Delta captains would receive this level of compensation. We can recall no situation where one airline has attacked the management of another airline on what is essentially an internal matter. There is an unwritten code that usually frowns on such conduct. It is not considered "good form." However, the likely explanation for this deviation from carrier "etiquette" is most revealing.

Dollar for dollar, Delta Airlines has been and continued to be a trunk carrier with an extremely high rate of return. It has consistently been very profitable, showing a net profit of \$87 million in calendar year 1974. In 1970, a disastrous year for carriers and one which gave rise to capacity reduction agreements, Delta, without participating in capacity agreements of any kind, led the industry with a net profit of \$41 million.³⁵

To make comparisons even more odious, Delta has had exemplary labor relations with its employees based upon mutual trust and respect built up over the years. It has never had a strike and none of its contracts has ever gone to mediation, an unparalleled situation in the trunk industry.

The most interesting fact in this background, however, is that Delta is not and has never been a member of the Mutual Aid Pact. It has elected to "go it alone," a decision that, over time, has proven to be immensely successful.

The negotiations that took place between Delta and ALPA were typical of Delta's style. They were held without publicity and without any sense of panic or urgency. An agreement was signed on May 23, 1974, and did not become a matter of public concern until a Wall Street Journal article that appeared on September 19, 1974.

The terms of the contract were also typical of Delta. The carrier in essence bought greater operational flexibility for itself and better utilization of its equipment. In return, the pilots obtained an excellent wage and fringe package, one of the features being the B-747 rate previously discussed.

Mr. Chairman, Delta is a shrewdly managed company. Its contract resulted from astute bargaining that is likely to increase its profits. However, the contract is so unique to Delta that its terms are not generally applicable to other carriers. Every carrier has individual crew scheduling requirements so that carrier contracts will always have to be negotiated individually.

While the maximum pay scale for Delta's B-747 captains received all of the publicity, we must keep in mind that the carrier has over 3,000 pilots. In 1974, W-2 records for Delta pilots show that the average pilot earned \$34,000; the average captain \$47,000; the average first officer \$29,000; and the average second officer, \$20,000.³⁶ The median for Delta's pilots' earnings was \$31,372. These salary levels are comparable with those contained in other carrier contracts signed since the Delta contract became effective. Delta's contract has had no impact that we have been able to discern on recent contracts signed by TWA, United and Braniff. This is commensurate with our earlier comment that every carrier has unique needs that preclude an across-the-board comparison of contracts.

In this regard, the smaller and less affluent carriers fly lighter equipment and pay their pilots much lower wages than the trunks. This segment of the industry represents 14 percent of ALPA's total membership. In 1973, the last available

³³ Delta originally took delivery on only five B-747's. These aircraft were ordered as a stop-gap measure during the long delay that attended receipt of Delta's Lockheed L-1011's. All five B-747's have been for sale almost since the day they were received and two have been sold, leaving the carrier with three.

³⁴ This rate of pay will not be effective until February 1976, and will apply only to the 15 or so B-747 captains who fly internationally. Delta does *not* presently schedule B-747 equipment on international runs and is not likely to do so. Also, as pointed out in footnote 33 above, there is a likelihood that these aircraft may have been sold before the contractual increase becomes effective. Yet, the rate of pay in question is being bantered about as an established fact.

³⁵ Other carriers, in the meantime *lost* heavily: United (\$40 million), TWA (\$64 million), and American (\$26 million).

³⁶ The new contract was retroactive to January 31, 1974.

³⁷ The 1974 salary figures for Delta were obtained at great expense through a special computer run. 1974 salary data for other airlines are not yet available. However, they can be furnished at a later date, should the Committee desire it.

reported period,³⁷ captains averaged \$35,000 and first officers \$22,000. Second officers are not a valid category because few of these carriers fly three pilot equipment.

The salary averages given above for the trunk and smaller carriers (some of the latter being supported in part by federal subsidy) are hardly comparable to the \$100,000 plus salaries that have generated such publicity. We submit that the Delta contract has been distorted by the media through misinformation received from the Pact carriers. The issue has become no more than a public relations gimmick.

PILOT SALARIES HAVE RISEN AT A LEVEL COMPARABLE TO SALARIES OF TOP AIRLINE EXECUTIVES AND OTHER GENERAL MANAGEMENT PERSONNEL

A CAB study entitled: *Trends in Airline Compensation: 1962-1972*³⁸ makes a valid comparison between the growth of pilot earnings, on the one hand, and the salary growth of other general management employees and the top two executives for all certificated carriers, on the other hand.³⁹

In 1962, flight deck personnel had an average salary of \$16,850 per year. The industry average for the top two executives, however, was \$54,519 per year, while other general management employees averaged \$19,099 per year. By 1972, flight deck salaries had increased to a yearly average of \$30,941. Top two executives, however, averaged \$128,484 and other general management employees, \$35,938. These increases amounted to 83.6 percent for pilots, 135.7 percent for the top two executives, and 88.2 percent for general management employees. They support the view that pilot salaries have not been out of line with overall industry compensation. Moreover, the CAB study shows that the rate of pilot salary increases was the lowest of the three categories listed for six out of ten years shown.

Focusing again on 1972, the average pay increase for top two executives was over 30 percent. These gains were registered at a time when wages were controlled for the rest of the economy by the Pay Board. Obviously, these executives granted themselves a dispensation from all wage restraints. Mr. Charles C. Tillinghast, the chairman of the board of TWA, for example, received a salary of \$272,838 in 1972. One year earlier, he had received \$183,973. Thus, in 1972, his salary increased by 48 percent! During that same year he gave the following testimony before the CAB in the *Airline Industrial Relations Conference Investigation*:

"The events of the last few years have demonstrated that we in the airline industry must do something to deal with the basic problem of soaring labor costs if we are to maintain our long term financial viability as an industry priced within the reach of the ordinary traveler."⁴⁰

Further comment seems unnecessary.

PRODUCTIVITY: ITS RELATION TO MANAGEMENT DECISIONS

We believe that the preceding discussion conclusively shows that pilot salaries cannot be studied in isolation;⁴¹ that they must be considered together with other management decisions that have had a far greater effect on a carrier's total cost picture and its overall productivity.

We have already alluded to the fact that all carriers have approximately the same management options. It is the skill with which they elect to exercise these options that most often determines levels of productivity and, eventually, profitability. In this regard, no decision is more important or carries significance for a more extended period of time than the purchase of new equipment. For this is where an error in judgment can cost a carrier years of financial grief.

When the large trunks ordered their fleets of new, wide-bodied equipment in the late 1960's, they did so on the basis of a management decision that assumed that narrow-bodied planes could be replaced on a one-for-two, or a one-for-three basis. A corollary to this decision was that the number of pilots could be reduced proportionally. Thus, when contracts were negotiated for the new wide-bodies aircraft, carriers did not object to paying higher individual salaries given the assumption that salaries would be paid to fewer pilots. Neither did they contest

³⁸ Standards Division, Bureau of Operating Rights, Civil Aeronautics Board, July, 1973.

³⁹ *Ibid.*, Table 5 and Chart IV.

⁴⁰ Docket 23267, Written Testimony of Charles C. Tillinghast, (May 12, 1972) carrier Exhibits, Vol. 1, Exhibit A., p. 1.

⁴¹ Otherwise, Delta would be the least productive of all carriers since it allegedly pays better wages.

the formula used to establish the pay ratio between different equipment types, in constant use for many years.⁴² Carriers had long ago agreed to pass on to flight deck crews some of the benefits of the increases in productivity achieved by larger and more efficient aircraft.

Therefore, the higher individual salaries came as no surprise. They presumably had been weighed as one of the many factors that went into management's decision to buy this new generation of aircraft in such large numbers. What was not expected was the reception the new aircraft received. As it developed, frequency of departures remained more important to the traveling public than the notion of flying in a wide-bodied plane. Consequently, those carriers who maintained a large number of frequencies, regardless of aircraft size, carried more passengers than carriers who depended solely on the new aircraft. Thus, the pilot force could not be reduced, and one of the assumptions upon which wide-bodied planes were purchased turned out to be invalid. This created a mammoth cost crunch, pilot salaries being but one of its elements, and an inconsequential one at that.

The carriers, through the ATA, state with alarm that labor costs are approaching 50 percent of industry costs. We not only concede the fact, we find it normal and far from shocking.

The air transportation industry is a service oriented industry. It cannot be compared to the highly automated steel industry. Moreover, like all technical, service-oriented industries its effectiveness must continue to depend upon employees. The larger the industry becomes, the more passengers it carries, the more employees it has to hire. This is inevitable, predictable, and endemic to the nature of the industry. Worker productivity in a service industry depends not on the size of a given work force but on how successfully that industry can sell its product, thereby utilizing its employees to the maximum extent.

In Charts 1-3 that follow, we have attempted to measure the effectiveness of management in controlling costs on a basis that includes all of the trunks⁴³ (Chart 1), and the "Big Four" and Smaller Trunks (Chart 2). The so-called "bottom line" of operating and net profits for all three bases is summarized on Chart 3.

The unit of output measure that we have adopted is the Available Ton Mile (ATM). This is the total product that a carrier has for sale (seats and cargo) and is the criterion normally used by the CAB. The use of Revenue Ton Miles (RTM) would have been inappropriate since RTM's are a measure of a carrier's sales effort in the face of passenger demand. ATM's on the other hand, are what the carriers purchase when acquiring new aircraft based on their judgment of market demand. The effectiveness of management lies in how it is able to correctly estimate demand and use the ATM's at its disposal.

Chart 1 (All trunks excluding Pan American) shows that the sharp rise in Revenues per ATM has been tracked by a similar rise in total operating expenses. You will note that until 1972, total aircraft operating expenses per ATM remained at a higher level than indirect expenses per ATM. However, beginning with 1973, indirect expenses (largely a combination of passenger related expenses plus the total administrative burden) rose by 7 percent and nearly equaled aircraft operating expenses. The reason is that the growth of ATM's was reduced somewhat because of sagging traffic, (B-747's were grounded) but indirect costs were not reduced accordingly.

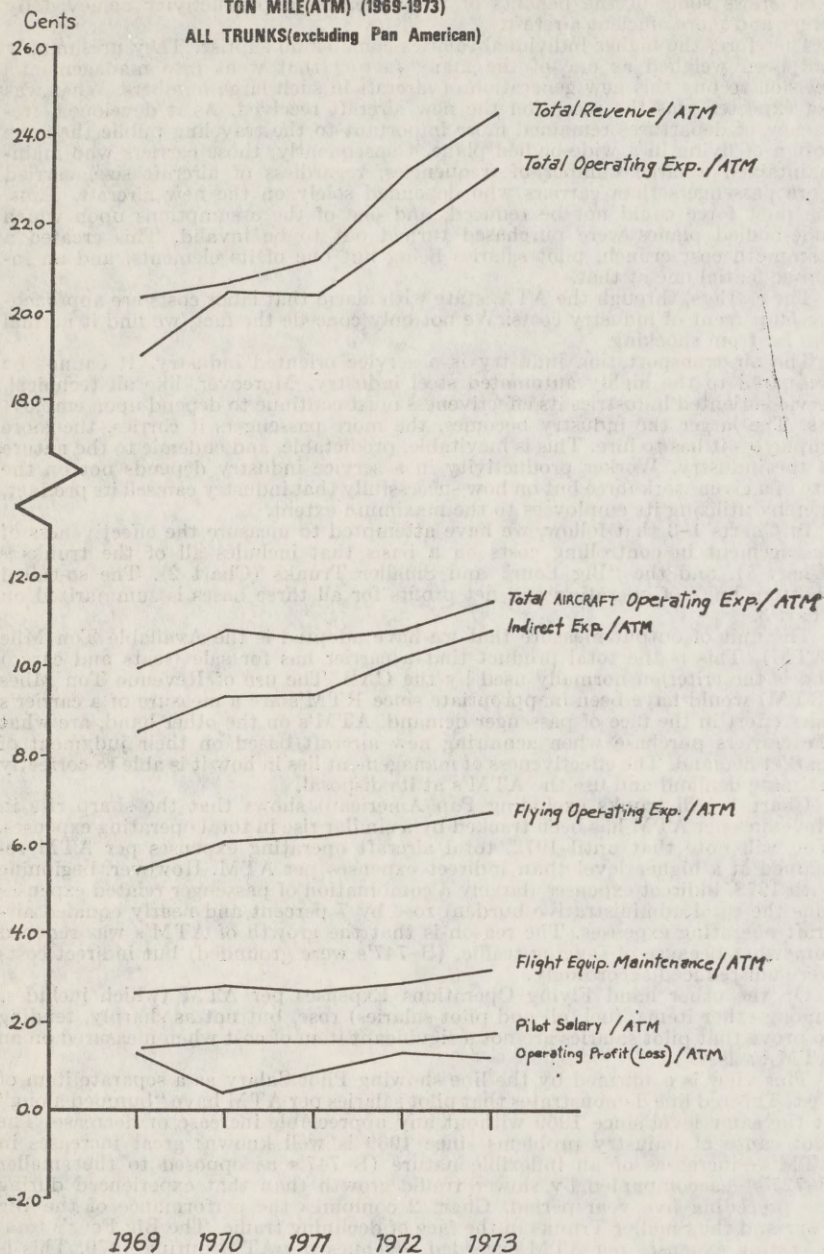
On the other hand Flying Operations Expenses per ATM (which includes, among other items, fuel, oil and pilot salaries) rose, but not as sharply, tending to prove that pilot salaries are not a significant item of cost when measured on an ATM basis.

This view is confirmed by the line showing Pilot Salary as a separate item of cost. This red line demonstrates that pilot salaries per ATM have "bumped along" at the same level since 1969 without any appreciable increase or decrease. The root cause of industry problems since 1969 is well known: great increases in ATM's—increases of an inflexible nature (B-747's as opposed to the smaller B-727's)—accompanied by slower traffic growth than that experienced during the preceding five year period. Chart 2 compares the performance of the Big Four and the Smaller Trunks in the face of declining traffic. The Big Four's total operating expenses per ATM exceeded revenues per ATM during 1970. This is

⁴² The computation of the ratio involves the use of a complex formula that has the weight of the aircraft as its major component.

⁴³ Pan American has not been included because its costs are not representative and would have caused distortions.

**SELECTED MEASURES OF AIRLINE MANAGEMENT PERFORMANCE PER AVAILABLE
TON MILE(ATM) (1969-1973)**



Source: CAB Form 41

CHART 1

reflected by the corresponding dip in operating and net profits shown on all three charts. However, the smaller trunks were in a better position to react since they had wisely ordered fewer large aircraft and had less inflexible capacity on hand.⁴⁴ Thus, they were better able to reduce capacity in the face of softening traffic while maintaining flight frequency, so important in attracting traffic. This is well demonstrated in Chart 2 where we see a healthy spread between total operating expenses and total revenues. Moreover, Chart 2 shows that indirect expenses, a growing problem with the large trunks, were less a problem for the smaller trunks.

SELECTED MEASURES OF AIRLINE MANAGEMENT PERFORMANCE PER AVAILABLE TON MILE (ATM)

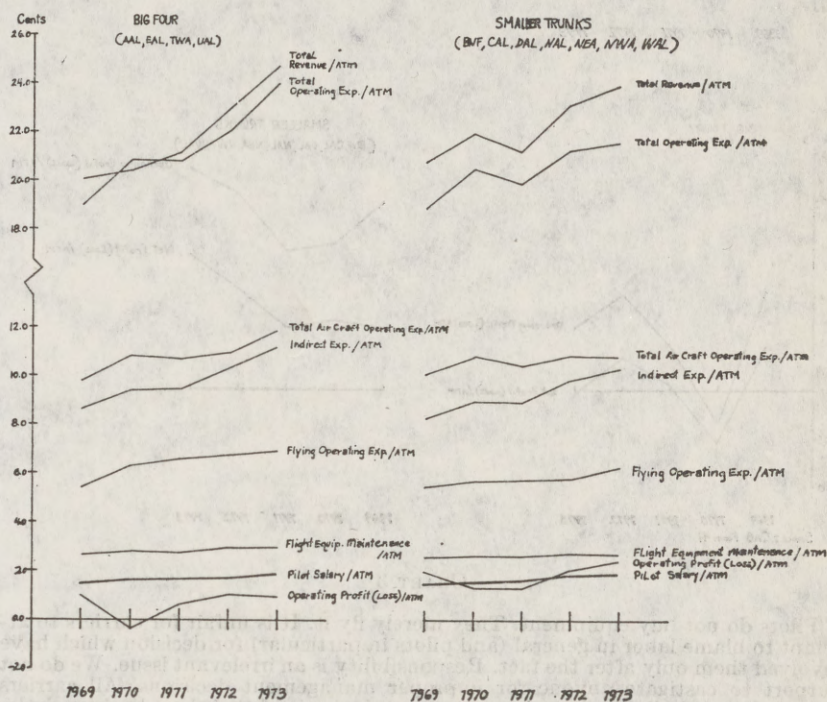


CHART 2

The most significant trend for ALPA (and one central to this argument) is the fact that pilot salaries per ATM continue to show little fluctuation on Chart 2. The trend established on Chart 1 remains essentially the same for both the Big Four and the Smaller Trunks.

We do not intend to argue diseconomies of scale. The facts speak for themselves and can be easily interpreted. Our point is that pilot salaries have had *no* impact on carrier costs per ATM. Pilot salaries are a direct function of the type of equipment flown. If a carrier flies large planes, it produces more ATM's per plane, requires fewer planes and pilots, but pays its pilots more money. On the other hand, if it grounds the large planes, it has to fly smaller planes, keep more pilots on the payroll, but pay them less money.

⁴⁴ Continental, for example, grounded all four of its B-747's in 1973 and was still able to show a net profit. Western cancelled its B-747 order in 1969 when it saw trouble developing.

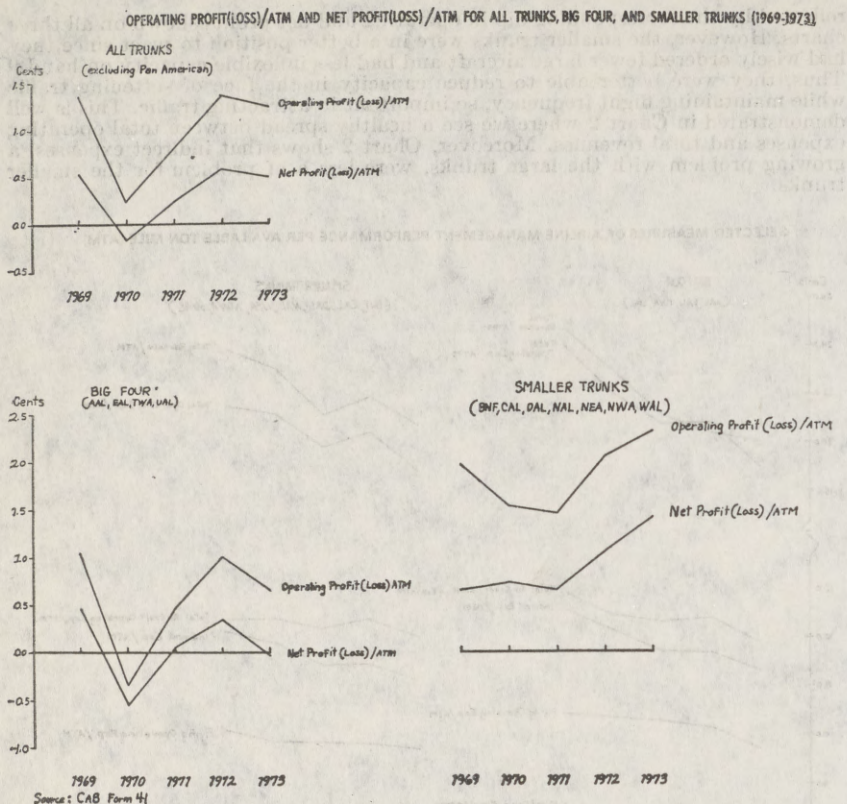


CHART 3

Pilots do not buy equipment. They merely fly it. It is unfair for carriers to attempt to blame labor in general (and pilots in particular) for decision which have involved them only after the fact. Responsibility is an irrelevant issue. We do not purport to castigate anyone for improper management decisions. All carriers exercised their individual carrier options on the basis of their best business judgment. And, in the final analysis, they have all had to live with the results. We merely argue that the Mutual Aid Pact is as unrelated to a carrier's ability to control overall productivity trends as it is to its ability to control pilot salaries.

IS THE PACT CONSISTENT WITH THE PRINCIPLES OF THE RAILWAY LABOR ACT?

We have raised and examined the reasons given by the Pact carriers in justification for the Agreement's existence. None has sufficed. We may well ask, at this point, what the Pact really purports to accomplish.

We believe that the only reason for the Pact's existence is the subversion of the Railway Labor Act (the RLA) and its ultimate repeal—at least insofar as it applies to the air transportation industry. Why else, we submit, should the carriers support each other on a basis where the strike activities of three airlines have been supported by United and three other carriers?⁴⁵

We know from our earlier discussion, *supra* at pp. 4-5, that the underlying reason for the Pact was a growing disenchantment with the RLA; that the IAM-Capital strike was no more than a convenient excuse; that carriers believed that if carrier by carrier negotiations by class and craft under the RLA could be eliminated and replaced with industry-wide bargaining, they could better dictate the terms of contractual settlements. If it could be demonstrated, therefore, that

⁴⁵ Appendix B contains a summary of all payments and receipts under the Pact for the 1969-1974 period.

the RLA was antiquated; that the airline industry had passed it by and that the RLA could no longer be depended on to prevent strikes, the carriers might be in a position to effect a change that would work to their advantage. The Mutual Aid Pact was the answer. Through its provisions, the possibility of a risk-free strike came into being. This gave the carriers the weapon through which they could prove that the RLA can no longer prevent strikes, without achieving a Pyrrhic victory.

THE PACT HAS RENDERED THE RAILWAY LABOR ACT INEFFECTUAL

Just as the Law is based on unwritten jurisprudential precepts that form its very foundation and that are collectively referred to as "The Rule of Law," the RLA has an unwritten rule that permeates the entire Act. We shall refer to this precept as "The Rule of Negotiations". For the RLA is totally oriented toward one major objective: to keep the parties at the negotiating table as long as possible in order to avoid a strike.⁴⁶

Prior to the Pact's 1969 amendments, a strike was the ultimate weapon that, when used, carried disastrous consequences for both parties. Its spectre, therefore, acted as a goad during negotiations. It forced both parties into compromises that otherwise might not have been acceptable. Because, in the final analysis a good settlement is one with which neither of the parties is really satisfied, but one which both are willing to accept, good faith negotiations are an essential factor.

There is a theory of negotiations which holds that an agreement is possible only when the cost of disagreeing equals or exceeds the cost of agreeing.⁴⁷ What the Pact has done is to so fundamentally alter the balance of this equation that the cost of disagreeing is no longer a pertinent factor and a strike is always an acceptable alternative. Therefore, serious negotiations need never take place. The parties can come in with their contract "openers" and, unless a carrier is inclined to avoid a strike as a matter of company policy, neither party is likely to budge to any significant degree. Thus, strike after strike has occurred for ever more protracted periods.

This does not mean that the Railway Labor Act must be abandoned as a failure. It means that it can no longer work effectively because the Pact has supplanted its "Rule of Negotiations" with an abrasive and counterproductive "Rule of Confrontation". Consequently, if labor-management negotiations are to continue under the RLA, as they have in the past, the Pact must be abolished. The CAB's approval of the Mutual Aid Pact has effectively hobbled the effectiveness of the RLA without the formality of a Congressional Amendment. Congress, therefore, must move to reassert its will by legislating the Mutual Aid Pact out of existence.

THE AIRLINE INDUSTRY HAS ALREADY TAKEN THE NEXT STEP TOWARD BYPASSING THE RAILWAY LABOR ACT

We need not wonder what next step the Pact members will take. It has already been taken. In 1973, the Board approved an intercarrier agreement called the Airline Industrial Relations Conference (AIRCON) in which all trunks, except Delta and Braniff, are members.⁴⁸

AIRCON is an off-shoot of what was the industrial relations section of the Air Transport Association. It is now a separate entity. Ostensibly, it is supposed to act as a clearing house for labor information. In reality, it is attempting to set policy on union contracts so that no carrier's proposed wages will be out of line with those of member carriers. In that sense it is attempting to achieve industry-wide bargaining through the "back door."

We have had no way of gauging AIRCON's effectiveness in the brief period of its existence. However, we have heard that the organization was greatly upset with Delta for its recent pilot contract, a subject that we have already discussed, *supra* at pp. 21-24. We also believe that AIRCON may have orchestrated the unprecedented publicity campaign directed at the Delta contract.

⁴⁶ A 1970 decision states: " * * * these procedures are purposefully long and drawn out. Congress desired to avoid compulsory arbitration concerning the content of collective bargaining agreements, and therefore imposed on the parties to a labor dispute the obligation to 'make every reasonable effort' to settle disputes without interruption of interstate commerce." *Machinists v. National Mediation Board*, 73 LRRM 2278 (D.C. Cir., 1970) p. 2283, citing *Brotherhood of Railroad Trainmen v. Akron and B. B. Railway Co.*, 385 F. 2d 581, 65 LRRM 2229, 2995 (1967), cert. denied, 390 U.S. 923 (1968).

⁴⁷ *Bargaining Power and The Costs of Disagreeing and Agreeing*, Neil W. Chamberlain, cited in *Perspectives on Wage Determination: A Book of Readings*, Campbell R. McConnell, McGraw-Hill, 1970.

⁴⁸ Delta is an "associate member," a status which allows it to receive all published data. Braniff, on the other hand, has no connection at all with the organization. Pan American remains a member although it has submitted its resignation which will become effective next year.

AIRCON represents but one more move by the Pact carriers to circumvent the Railway Labor Act. Yet, the CAB (despite its avowed inexperience in labor matters) routinely approved the agreement as consistent with the public interest. Under normal circumstances, the existence of such an organization would raise grave antitrust questions. We point out, however, that CAB approval of any agreement automatically confers antitrust immunity to all its signatories.

The Railway Labor Act is not functioning properly. Carriers are determined to bypass its principles and have met with growing success. The Pact (and AIRCON, to a lesser degree) have eroded provisions which have withstood the test of over 40 years of labor relations. We do not believe that Congress should allow this to occur without proper legislative hearings. The issue should be faced squarely and dealt with firmly. We can think of no better solution than the abolition of the Pact. This will return vigor to the Railway Labor Act and balance to contract negotiations.⁴⁹

THE MUTUAL AID PACT: IS IT IN THE PUBLIC INTEREST?

The CAB and the Courts have long accepted that the rights of employees are a legitimate factor in the consideration of questions arising under the public interest.⁵⁰ Consequently, when public interest elements are to be considered in connection with a CAB action, the Board must judge its effect on the air carrier industry as a whole, on the traveling public, and on air carrier employees.

We have already considered the various reasons advanced by Pact members in support of the agreement and have found them lacking. We shall now consider the impact that MAP has had on the three elements that comprise the public interest: carriers, passengers, and employees.

To some extent, we have already touched on employee interests in our previous discussion of the Railway Labor Act. However, our intent herein is to focus more intensively on the effect that the Pact has had on those pilot employees that we represent.

We shall conclude, from the tripartite analysis that follows, that the Pact is a distinct threat to the public interest and that it must be abolished by legislative fiat. If the Federal Aviation Act of 1958 can be interpreted by the courts as allowing the CAB to approve agreements that inherently contradict antitrust principles and bypass the Railway Labor Act, it is more than time for a legislative change.

PUBLIC INTEREST: EFFECT OF THE PACT ON PASSENGERS

Strikes are an unpopular but sometimes necessary tool in the art of collective bargaining. Employees like them even less than carriers for reasons that are patently obvious. We believe that they must be infrequent in an industry where the public is directly affected. Yet, in the name of the public interest, the CAB has allowed carriers to openly court strikes and to prolong them for as long as it remains economically profitable. Nine strikes of over 30 days since 1969, several of which have involved the same carriers,⁵¹ do not promote the long range interests of air transportation or of the passengers it is supposed to serve. Because the Railway Labor Act has not been allowed to function as it should, passengers have been injured in a number of ways. Let us examine some of them:

(1) Delays and sometimes the complete isolation of communities highly dependent on air transportation have not been uncommon. Tourist centers, such as Las Vegas, and the large number of small, monopoly points along the Northern Tier served by Northwest have been the chief victims. These latter communities have been essentially paralyzed on two occasions and many jobs in industries or trades unconnected with air transportation have been lost. Air transportation is no longer a frill. It is a way of life on which we have become extremely dependent. Any strike and, more particularly, a long strike, can, as we have seen on repeated occasions furnished by Northwest, severely cripple the economy of an entire region.

(2) Ticket costs have risen as the result of strikes, particularly, long strikes. Strikes may sometimes appear to be a game of one-upmanship to the carriers because of Pact benefits. But when carriers like United, Pan American, Eastern and American have to pour millions of dollars into the coffers of a carrier, someone has to pay for the higher costs that those carriers eventually incur. Who pays? The public always pays. Does a passenger realize or comprehend that part of the

⁴⁹ Without support from the Pact, AIRCON would be reduced to no more than a clearing house—the function that it is supposed to perform in the first place.

⁵⁰ Order 75-4-4, April 1, 1975, p. 7, fn. 16, citing *United States v. Lowden*, 308 U.S. 225, 238 (1938).

ticket he has paid to Pan American out of loyalty to our "Fly America" program has really increased National's profit under Mutual Aid? And that the next time he flies to London, his fares may have increased because his dollars did not remain with Pan American? This is one of the gross inequities perpetuated by the Pact. And it should be stopped forthwith.

(3) Several carriers in recent years have carried on a partial operation.⁵² Does this committee realize that the pilot flying the plane under such conditions is being used in order to break a legitimate dispute? That his involuntary actions are being used by his company in order to keep his fellow pilots out of work? ⁵³ Does this committee realize that a partial operation is not always a safe operation? That apart from the fact that the pilot who has been ordered back to work by a court order may be "steaming" and have other things than flying on his mind, the aircraft used may have been maintained by a skeleton force of supervisory mechanics whose skills may have diminished from disuse?

These are but some of the effects that strikes have had and are likely to continue having on passengers and communities. The Pact is not good for the consumer. It is expensive, unfair and sometimes dangerous. These are reasons enough for legislation.

PUBLIC INTEREST: EFFECT OF THE PACT ON THE AIR TRANSPORTATION
INDUSTRY

Beginning with the higher supplemental payments authorized in the 1969 amendments, MAP revenues and payments have had a major effect on carrier profit/losses. However, data for the 1969-1974 period demonstrate that MAP has benefited only three carriers while drawing from four, principal carrier-donors.

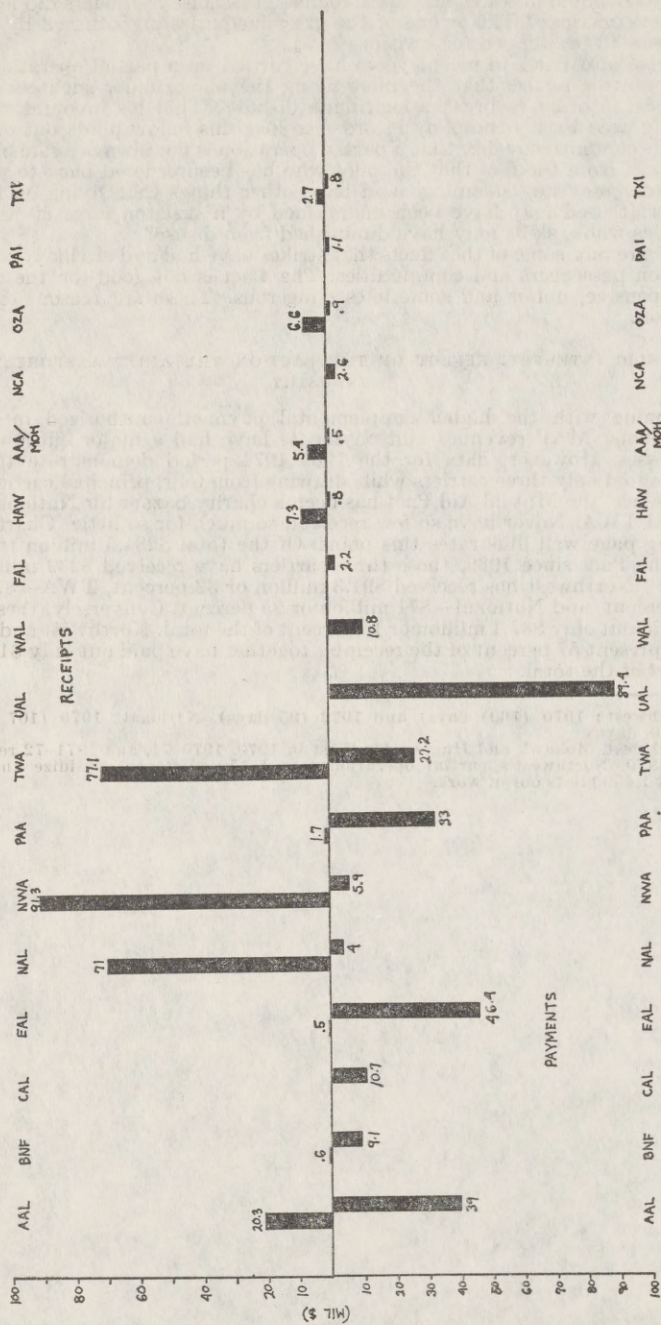
In essence, the Mutual Aid Pact has been a charity bazaar for National, Northwest and TWA. Never have so few received so much for so little. Chart 4 on the following page well illustrates this point. Of the total \$284.5 million transferred under the Pact since 1969, these three carriers have received \$239 million or 84 percent.⁵⁴ Northwest has received \$91.3 million or 32 percent, TWA—\$77 million or 27 percent, and National—\$71 million or 25 percent. Conversely, these carriers have paid out only \$37.1 million or 13 percent of the total. Northwest and National (who represent 57 percent of the receipts) together have paid out only \$10 million, 3 percent of the total.

⁵¹ Northwest: 1970 (160 days) and 1972 (95 days). National: 1970 (107 days) and 1974 (108 days).

⁵² Northwest, Mohawk and Hughes Air West in 1970, 1970-71, and 1971-72 respectively.

⁵³ In 1970, Northwest's partial operation forced 450 pilots to subsidize an operation that kept 1,450 pilots out of work.

IN THE 1969-74 PERIOD, MUTUAL AID PACT MEMBER
CARRIERS HAVE TRANSFERRED \$284.5 MILLION TO EACH OTHER



SOURCES - SCHEDULE P-2, CAB FORM #1; CAB DOCKET NO. 5477;
LETTERS FILED WITH CAB PURSUANT TO ORDER NO. E-15494

CHART 4

The payments side of the equation is equally concentrated among four carriers: United, Eastern, American and Pan American. These carriers have contributed an aggregate of \$208 million or 73 percent of the fund. United has led the field in overall contributions with a whopping \$89.4 million—31 percent—while collecting *not a penny!* Eastern has given \$46.4 million to the cause—16 percent; American \$39 million—14 percent; and Pan American, \$33 million—12 percent. The latter carrier, it will be recalled, has experienced increasing financial difficulties since 1969 and has pleaded for subsidy before the CAB and this Committee in recent months. During the 1969–1974 period Pan American contributed \$33 million to Pact carriers while realizing only \$1.7 million in receipts.⁵⁴

We submit that this unparalleled transfer of millions of dollars from one carrier to another has no place in our economy. It is foreign to our basic precepts of doing business and amounts to no more than a form of revenue pooling that, so far, seems to have had less than an equal payout.

The effect that this bizarre way of doing business has had on carrier profits is even more interesting than the breakdown just discussed. This impact is graphically demonstrated in Appendix C to this statement which shows the effect that MAP payments have had on selected trunk carrier profits during the 1969–1974 period. Several items therein deserve comment:

(1) In 1970, a disastrous year for the industry, Northwest, although on strike for 160 days, realized a net profit of \$44 million. In the course of that year, it received \$46 million in MAP payments. We have estimated that without these payments, the carrier would have posted a loss of \$2 million.

(2) During the same year United had a loss of \$41 million. A MAP contribution of \$22 million contributed to that loss. We have estimated that without this payment, United's loss would have been reduced to \$19 million.

(3) Again in 1970, Pan American had a loss of \$48 million to which MAP payments contributed \$8 million. Without the Pact, Pan American's loss would have been reduced to \$40 million.

It is a curious situation indeed when the weak must support the strong. Yet, time and again, data show that carriers with staggering losses have had to face yet greater losses in order to increase the profits of profitable competitors.

The situation described above for 1970 can also be presented on an earnings per share basis. This approach is useful because it shows how carrier stockholders have been cheated out of their investment by this management decision. Let us select United as our example, a carrier that has literally supported the Pact, yet has failed to collect a cent during the last six years.

Appendix D shows that in 1969, United earned \$2.59 per share. Without the \$.55 per share it contributed to Mutual Aid, its per share earnings would have risen to \$3.14, an increase of 21 percent. In 1970, the \$1.19 per share United paid to the Pact carriers would have reduced its loss from \$2.22 to \$1.03 per share, a 54 percent improvement. In 1971, the results were less significant—a .09 per share difference that would have reduced losses from .24 to .15 per share. In 1972, the Pact made a substantial difference: .99 per share or the difference between a reported net of .84, as opposed to a possible net of 1.83 per share, a 118 percent differential. In 1973, mutual aid payments of \$1.35 per share reduced earnings by 55 percent, from \$3.81 to \$2.46 per share.

While we have thus far addressed only the trunk carriers, the local service segment of the industry cannot be ignored. In the 1969–1974 period, seven local service carriers paid out \$9 million in mutual aid and received \$22 million. We have basic misgivings about having a subsidized carrier pay any money toward the support of another carriers, regardless of what it might eventually get in return. The CAB long ago decided that expenses incurred as a result of a strike (even depreciation and amortization) were not subsidy eligible. We therefore question the propriety of having a local carrier who happens to be on strike, receive an indirect subsidy from other subsidized locals as well as from trunks. We also question the morality of having a carrier whose operations are defrayed in part by taxpayer subsidy, use subsidy dollars in order to help another carrier break a lawful strike. If no other legislation comes out of this hearing, an interdiction should be adopted preventing the membership of subsidized carriers in the Pact.

We believe that this discussion has demonstrated that the Pact works in a Byzantine manner that defies understanding. Why else would carriers like United and Pan American give up so much in order to obtain so little? Mutual Aid is

⁵⁴ See Appendix B for the data underlying Chart 4.

⁵⁵ We have recently learned and are pleased to inform the Committee that Pan American has given notice that it is withdrawing from the Pact. However, the terms of the Agreement call for one year's notice and it is possible that Pan American may have to make additional payments before its withdrawal becomes effective.

no more than a pyramid scheme in which someone is always left "holding the bag". Northwest, National and TWA have collected large sums during the last six years. Does not the likelihood exist that United or Pan American may arbitrarily decide to take a strike, not because of any real disagreement with their employees, but because they believe that their turn to collect has arrived? This is not the type of game that carriers should be allowed to play, particularly in an industry that has an outstanding obligation to serve the public. Therefore, we believe that the Pact should be abolished because it is demonstrably contrary to the carriers' own interests.

PUBLIC INTEREST: EFFECT OF THE PACT ON PILOTS

A carrier can afford to give up revenues to another carrier. Passengers can, for the most part, survive the inconvenience of a strike. Employees, however, have no options. Each day of a strike means money out of a pilot's pockets and a depletion of his savings.

Since 1969, there have been 14 strikes in which carriers have received MAP payments. ALPA pilots have been affected by 13 of these strikes.⁵⁶ We estimate that our pilots have lost approximately \$65 million in wages by reason of these stoppages.⁵⁷ Only three of the strikes have been the result of a pilot dispute and one of them, in the 1974 Braniff strike, lasted only two days. In the main, therefore, we are looking at a large number of stoppages in which ALPA has been no more than a bystander. Let us first analyze those strikes involving trunks that have lasted for over 30 days. They are the strikes that have had the principal impact on ALPA pilot wages.

Northwest had two strikes: A BRAC strike in 1970 which lasted 160 days; and an ALPA strike in 1972 which lasted 95 days. The BRAC strike cost pilots approximately \$15 million in lost wages, while the ALPA strike cost pilots about \$12 million. The anomaly of the BRAC strike is that ALPA pilots were precluded from honoring the BRAC picket line by a court order. As a result, up to 400 pilots were forced to work thereby prolonging a strike that kept 1,450 of their fellow pilots out of work. Those kept out of work were, by seniority, the lesser paid pilots who could least afford it.

National Airlines, another of the smaller trunks, had three strikes during this period only two of which were significant: a strike involving ALEA in 1970 lasted 107 days; and on IAM strike in 1974 lasted 108 days. The former strike cost pilots about \$4.5 million in wages while the latter resulted in approximately \$6 million in lost wages.

The only other strike of a significant duration that involved a trunk carrier was a TWA strike involving ALSSA in 1973. This dispute lasted 44 days. Because of TWA's size, however, this stoppage has been estimated to have resulted in over \$13 million in lost pilot wages.

In the local service segment of the industry, the carrier advantages of MAP membership have resulted in four strikes, all over 100 days in duration. In 1970, Mohawk, as a result of a pilot dispute, had a strike of 179 days that cost pilots almost \$3.5 million in wages. In 1971 Hughes Air West was struck by AMFA, a stoppage that lasted 135 days at a pilot cost of nearly \$2 million. This strike, incidentally, again presented ALPA with a situation where its pilot members could be forced to cross a picket line under a court order, thereby exacerbating the plight of their fellow pilots. Finally, an ALEA strike against Texas International that lasted 125 days has just recently ended. We estimate that this strike may have cost ALPA pilots close to \$3 million in salaries, a total that will undoubtedly be larger when the gradual phase-in of service is taken into account.⁵⁸

The impact of a long strike on a pilot's career is devastating. When the "breadwinner" is out of a job, his entire family suffers. The cash flow stops, bills pile up, money must be borrowed or savings tapped, and a host of difficulties suddenly appear. Consider also, if you will, the fact that retirement and medical benefits are sometimes suspended after a strike begins, and seniority can be diminished. This means that an unjustly long strike can have serious consequences on future earnings.

Pilots have a relatively short and unstable career. By federal regulations, they must retire at age 60, thereby losing five peak earning years.⁵⁹ Moreover, while

⁵⁶ ALPA no longer represents the pilots of American Airlines.

⁵⁷ Appendix E.

⁵⁸ None of the strike periods discussed above and set forth in Appendix E consider the phase-in period which can often be of a considerable length. In this regard, our estimates are conservative.

⁵⁹ This forced retirement is rendered all the more severe because social security benefits are not available at age 60.

the rewards can be considerable, so are the risks. Periodic flight qualification checks as well as rigorous six-month physical examinations must be passed if a pilot is to remain on flying status. ALPA has estimated that as many as one out of every seven pilots does not reach retirement age. From one day to the next, a heart attack or even a minor ear ailment can end a career. Therefore, an unduly long interruption in work that causes a depletion of savings can have unfortunate consequences. For these reasons, we submit that the Pact has been extremely damaging to pilots and should be abolished.

CONCLUSION: THE LEGISLATIVE REMEDY

The Mutual Aid Pact has always been and remains today a concerted effort by the large carriers to gain absolute bargaining power over their employees. The fact that these carriers have not succeeded is irrelevant. The unnecessary grief and the agony that have accompanied the process are the real issues.

We do not believe that the Congress or this Committee can permit such a procedure to endure. The Railway Labor Act, if it is to survive, must be restored. And implicit in this process is the abolition of the Pact.

Mr. Chairman, labor and ALPA have exhausted their administrative and their legal remedies. The issues that face this Committee are of a sufficient gravity to warrant your immediate attention. The passage of the legislation being considered today is of the utmost importance to employees. We are confident that our 30,000 pilots can ultimately depend on your judgment and sense of fairness in this matter.

APPENDIX A

UNIONS ACTIVE IN THE AVIATION INDUSTRY AND ABBREVIATIONS USED

- ACMA—Air Carrier Mechanics Association (no longer in existence).
 ALDA*—Air Line Dispatchers Association.
 ALEA*—Air Line Employees Association.
 ALPA*—Air Line Pilots Association.
 ALSSA*—Air Line Stewards and Stewardesses Association (a division of the Transport Workers Union).
 AMFA—Aircraft Mechanics Fraternal Association.
 AFA*—Association of Flight Attendants.
 BRAC*—Brotherhood of Railway, Airline and Steamship Clerks.
 FEIA*—Flight Engineers International Association.
 IAM*—International Association of Machinists.
 IBT—International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers.
 TWU*—Transport Workers Union.

*Denotes those unions affiliated with the AFL-CIO.

STRIKES IN THE U.S. AIRLINE INDUSTRY, 1946-74

Airline	Union	Duration (days) ¹	Member of MAP
1946: Trans World.....	ALPA.....	26	NA.
1947:			
Delta.....	United Auto Workers.....	33	NA.
American Overseas.....	APLA.....	18	NA.
1948:			
National.....	IAM.....	174	NA.
Do.....	ALPA.....	269	NA.
American.....	TWU.....	1	NA.
1949:			
Pan American.....	TWU.....	2	NA.
Colonial.....	IAM.....	6	NA.
American Overseas.....	Commercial telegraphers.....	2	NA.
1950:			
American.....	TWU.....	11	NA.
Pan American.....	TWU.....	1	NA.
1951:			
Trans-Texas.....	IAM.....	5	NA.
United.....	ALPA.....	11	NA.
Pan American.....	TWU.....	3	NA.
Western.....	Air Carrier Mechanics.....	16	NA.
1952:			
Trans-Texas.....	IAM.....	1	NA.
American.....	TWU.....	8	NA.
United.....	FEIA.....	3	NA.
Northeast.....	IAM.....	2	NA.
Eastern.....	FEIA.....	5	NA.

See footnotes at end of table.

STRIKES IN THE U.S. AIRLINE INDUSTRY, 1946-74— Continued

Airline	Union	Duration (days) ¹	Member of MAP
1953:			
Braniff.....	ACMA.....	44	NA.
Capital.....	IAM.....	2	NA.
Trans World.....	Navigators, Transport Workers.....	12	NA.
Hawaiian.....	IAM.....	1	NA.
Pan American.....	TWU.....	1	NA.
Hawaiian.....	IAM.....	2	NA.
Northwest.....	BRAC.....	5	NA.
Trans World.....	IAM.....	1	NA.
1954:			
Trans World.....	IAM.....	7	NA.
Trans-Texas.....	ALDA.....	1	NA.
American.....	ALPA.....	25	NA.
West Coast.....	IAM.....	1	NA.
1955:			
Flying Tiger.....	IAM.....	113	NA.
United.....	FEIA.....	53	NA.
Southern.....	ALDA.....	3	NA.
1956:			
Western.....	BRAC.....	63	NA.
National.....	ALPA.....	1	NA.
1957: National.....			
Air Line Agents Association.....		31	NA.
1958:			
Eastern.....	IAM.....	2	NA.
Western.....	ALPA.....	99	NA.
Central.....	IAM.....	10	NA.
Eastern.....	IAM.....	33	NA.
Pan American.....	TWU.....	4	NA.
American.....	TWU.....	23	NA.
Northwest.....	IAM.....	1	NA.
Pan American.....	BRAC.....	1	NA.
Capital.....	IAM.....	37	Yes.
Lake Central.....	ALSSA.....	11	Ineligible.
West Coast.....	IAM.....	3	Do.
Trans World.....	IAM.....	13	Yes.
Eastern.....	FEIA.....	38	Yes.
Do.....	IAM.....	33	Yes.
1959:			
American.....	ALPA (December 1958-January 1959).....	23	Yes.
Do ⁴	TWU.....	4	Yes.
Pacific.....	ALPA.....	3	Ineligible.
Southern.....	ACMA.....	58	Do.
1960:			
Flying Tiger.....	TWU.....	26	Do.
Mohawk.....	ALEA.....	18	Do.
American ⁴	TWU.....	4	Yes.
Southern.....	ALPA.....	117	Ineligible.
Eastern.....	ALPA ⁷	7	Yes.
Pan American.....	APLA.....	4	Yes.
Continental.....	FEIA.....	103	Yes.
Trans World ³	ALSSA.....	3	Yes.
Northwest ³	ALPA.....	16	Yes.
Braniff ³	BRAC.....	10	Yes.
Northwest.....	IAM (October 1960-February 1961).....	136	Yes.
1961:			
American.....	FEIA.....	7	Yes.
Eastern.....	FEIA.....	7	Yes.
Flying Tiger.....	FEIA.....	7	No.
National.....	FEIA.....	7	Yes.
Pan American.....	FEIA.....	7	Yes.
Trans World.....	FEIA.....	7	Yes.
Western.....	FEIA.....	12	Yes.
National.....	IAM.....	6	No.
1962:			
Pacific ³	IAM.....	4	Ineligible.
Eastern.....	FEIA/ALPA.....	30	Yes.
1963: United³.....			
IAM.....		12	Yes.
1964:			
National.....	ALEA.....	2	No.
Pan American ³	TWU.....	39	Yes.
Trans Caribbean.....	IBT.....	3	Ineligible.
1965:			
Pan American.....	ALPA.....	10	Yes.
San Francisco-Oakland Helicopter.....	TWU.....	9	Ineligible.
1966:			
Eastern.....	IAM.....	43	Yes.
National.....	IAM.....	43	No.
Northwest.....	IAM.....	43	Yes.
Trans World.....	IAM.....	43	Yes.
United.....	IAM.....	43	Yes.
Pacific.....	IAM.....	8	Ineligible.
Mohawk ¹⁰	IAM.....	1053	Do.
1967: Airlift.....			
ALEA.....		24	Do.

See footnotes at end of table.

1968:			
West Coast.....	ALEA.....	8	Do.
Reeve Aleutian (intra-Alaska) ²	IAM.....	375	Do.
1969:			
National.....	IAM.....	7	No.
American.....	TWU.....	20	Yes.
Piedmont.....	ALPA.....	29	Ineligible.
Western.....	IBT.....	17	No.
Pan American.....	IBT.....	4	Yes.
Los Angeles Airways.....	ALPA.....	1187	Ineligible.
1970:			
National.....	ALEA.....	107	Yes.
Ozark.....	AMFA.....	6	Ineligible.
Northwest ¹²	BRAC.....	2160	Yes.
Trans World ¹⁸	ALSSA.....	131	Yes.
Seaboard.....	ALPA.....	2	Ineligible.
Mohawk ¹⁴	ALPA.....	1479	No/Yes.
1971: Hughes Airwest ¹³	AMFA.....	135	Yes.
1972: Northwest.....	ALPA.....	95	Yes.
1973:			
Eastern.....	ALSSA.....	1	Yes.
Ozark.....	AMFA.....	71	Yes.
Airlift.....	ALPA.....	5	Ineligible.
Pacific Southwest (intra-California).....	IBT.....	37	Do.
National.....	ALEA.....	1	Yes.
Trans World.....	ALSSA.....	44	Yes.
1974:			
National.....	IAM.....	108	Yes.
Trans-International (nonscheduled).....	IBT.....	5	Ineligible.
Saturn (nonscheduled).....	IBT.....	2	Do.
Braniff.....	ALPA.....	2	Yes.
Texas International.....	ALEA (December 1974-April 1975).....	125	Yes.

¹ Duration of a strike is commonly defined in 3 manners: (1) Department of Labor definition: The length of a strike is measured from the day the strike begins to the day prior to the return to work of the 1st union-member worker. (2) Civil Aeronautics Board definition: The length of a strike is measured from the day on which the airline suspends full operations to the day when the carrier returns to full scheduled operation. The NMB uses this definition, however, in its annual report it excludes strikes that are less than 2 days. (3) The Mutual Aid Pact definition: Strikes are deemed to commence as of midnight of the strike date and benefits terminate as of midnight the day on which a ratified settlement or other form of back-to-work agreement is announced or the struck operation is resumed in full, whichever is earlier.

The variance in strike duration caused by these definitions can be from 1 day to several weeks; for example: the Civil Aeronautics Board in its "Handbook of Airline Statistics, (1973 edition)" indicates the Northwest Airlines/BRAC work stoppage had a duration of 163 days; the Department of Labor indicates this work stoppage was for 160 days; the carrier received MAP payments for 159 days. Thus, in most instances, these differences are not significant. However, the variances can be difficult to reconcile unless one is familiar with the definitional problems.

In preparing this exhibit, the Department of Labor definition was used unless otherwise indicated.

² Hours.

³ Operations were not curtailed.

⁴ Tulsa maintenance base only; no effect on scheduled service.

⁵ Tulsa maintenance base only; no effect on scheduled service.

⁶ Strike was not settled but air carrier resumed full operations.

⁷ Strike not settled but full operations resumed after 117 days. The strike was settled Sept. 21, 1962; thus, the full duration was 839 days.

⁸ ALPA did not condone this action by individual pilots.

⁹ Jet service only was affected.

¹⁰ Strike not settled but most operations resumed.

¹¹ Maintained 70 percent of normal operating capacity.

¹² Helicopter service suspended 202 days; carrier is presently in receivership.

¹³ Maintained a partial operation.

¹⁴ Maintained international operation.

¹⁵ Partial operations from Apr. 14, 1971 to May 8, 1971, included in strike duration.

¹⁶ Maintained a partial operation from Dec. 22, 1971.

LISTING OF MERGERS AND NAME CHANGES FOR AIRLINES INCLUDED IN THIS TABLE

American Overseas merged with Pan American in 1950.

Colonial merged with Eastern in 1956.

Capital merged with United in 1961.

Central merged with Frontier in 1967.

Lake Central merged with Allegheny in 1968.

Trans-Texas changed name to Texas International in 1968.

West Coast changed name to Air West in 1968.

Pacific changed name to Airwest in 1968.

Mohawk merged with Allegheny in 1972.

Northeast merged with Delta in 1972.

Caribbean Atlantic merged with Eastern in 1973.

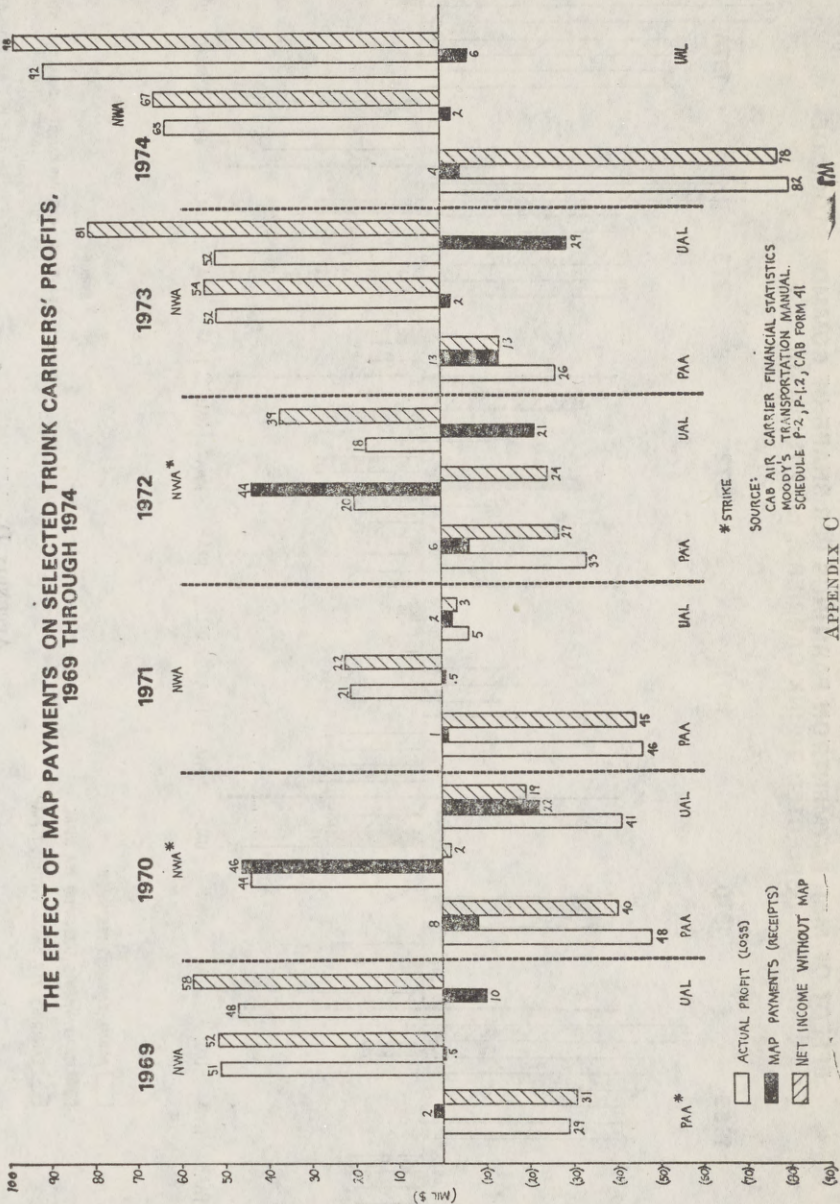
APPENDIX B

MUTUAL AID PACT PAYMENTS AND RECEIPTS OF MEMBER CARRIERS, 1969-74

	MAP payments	Percent of total payments	MAP receipts	Percent of total receipts
American (AAL).....	\$38,982,000	13.70	\$20,311,000	7.14
Braniff (BNF).....	9,091,000	3.20	586,000	.21
Continental (CAL).....	10,685,000	3.76		
Eastern (EAL).....	46,408,000	16.31	526,000	.18
National (NAL).....	4,018,000	1.41	71,012,000	24.96
Northwest (NWA).....	5,923,000	2.08	91,268,000	32.08
Pan American (PAA).....	33,005,000	11.60	1,688,000	.59
Trans World (TWA).....	27,156,000	9.55	77,124,000	27.11
United (UAL).....	89,440,000	31.44		
Western (WAL).....	10,806,000	3.80		
Frontier (FAL).....	2,203,000	.75		
Hughes Airwest (HAW).....	763,000	.27	7,317,000	2.57
Allegheny/Mohawk (AAA/MOH).....	525,000	.18	5,352,000	1.88
North Central (NCA).....	2,644,000	.93		
Ozark (OZA).....	905,000	.32	6,583,000	2.31
Piedmont (PAI).....	1,140,000	.40		
Texas International (TXI).....	804,000	.28	2,731,000	.96
Total.....	284,498,000		284,498,000	

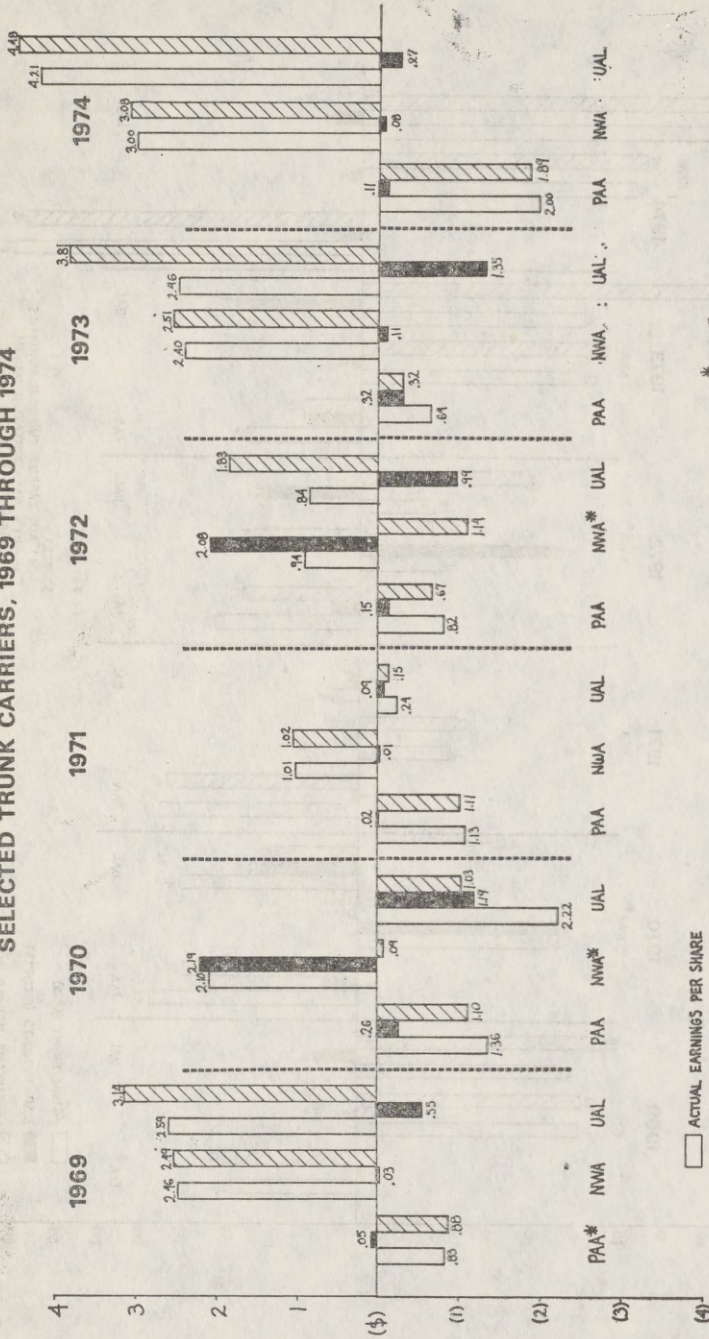
Sources: Schedule P-2, CAB Form 41; CAB Docket No. 9977; letters as filed by individual carriers pursuant to Order No. E-13899.

THE EFFECT OF MAP PAYMENTS ON SELECTED TRUNK CARRIERS' PROFITS, 1969 THROUGH 1974



SOURCE: CAB AIR CARRIER FINANCIAL STATISTICS MOODY'S TRANSPORTATION MANUAL, SCHEDULE P-2, P-12, CAB FORM 41

EFFECT OF MAP PAYMENTS ON EARNINGS PER SHARE OF COMMON STOCK OF
SELECTED TRUNK CARRIERS, 1969 THROUGH 1974



* STRIKE
SOURCE: CAB AIR CARRIER FINANCIAL STATISTICS
MOODY'S TRANSPORTATION MANUAL
SHEARSON SUMMARY
SCHEDULE P-2, P-1.2, CAB FORM 41

□ ACTUAL EARNINGS PER SHARE
■ MAP PAYMENTS (RECEIPTS) PER SHARE
▨ EARNINGS PER SHARE WITHOUT MAP

APPENDIX D

APPENDIX E

THE IMPACT OF AIRLINE STRIKES ON ALPA MEMBERS SINCE 1969

Year	Carrier	Union	Strike duration (days)	MAP receipts (thousand)	members affected	ALPA strike benefits (thousand)	Average MAP benefit/day (thousand)	Estimated daily wages lost per pilot a previous year average rates	Estimated total pilot wages lost at previous year average rates (thousand)
			(1)	(2)	(3)	(4)	(5)	(6)	(7)
1969	AAL	TWU	20	\$20,311	NA	NA	\$1,016	NA	NA
1969	PAA	IBT	4	1,688	2,915	0	422	\$71.26	\$831
1970	NAL	ALEA	107	27,985	533	0	261	78.36	4,469
1970	NWA	BRAC	160	47,268	1,846	0	1,295	65.52	15,159
1970-71	TWA	ALSSA/TWU	1	2,640	4,378	0	2,640	72.42	317
1970-71	MOH	ALPA	179	5,352	2,357	\$645	* 1	55.10	2,521
1971-72	HAW	AMFA	135	7,317	387	256	* 54	54.48	1,646
1972	NWA	ALPA	95	44,000	1,678	1,668	463	74.28	11,841
1973	EAL	ALSSA/TWU	1	526	3,640	0	526	88.97	3,238
1973	OZA	AMFA	71	6,583	310	0	93	73.50	1,618
1973	TWA	ALSSA/TWU	44	74,484	3,663	0	1,693	81.74	13,174
1974	NAL	IAM	108	43,027	559	0	398	99.27	5,993
1974	BNF	ALPA	2	586	1,297	0	293	86.95	226
1974-75	TXI	ALEA	125	11,205	293	* 489	90	75.07	4,268
Total				292,972		3,058			64,716

¹ Maintained a partial operation. So that lost pilot wages would not be overstated, an upper limit of 400 pilots who flew during the entire strike was used. This estimate, therefore, assumes that 1,446 pilots never flew during the strike period.

² Maintained a partial operation from Apr. 14, 1971, to May 8, 1971. Mutual aid pact membership effective Jan. 1, 1971; benefits received from Jan. 1, 1971, to May 8, 1971. There were 357 pilots on the Mohawk seniority list. A back-to-work arbitration award dated Mar. 31, 1971, outlined a procedure for the orderly return of all 357 pilots. It stated that the award did not " * * * apply to 15 instructor pilots nor to pilots holding positions in management."

³ The Civil Aeronautics Board reported that this strike began Dec. 15, 1971, and ended Apr. 30, 1972. There were 387 pilots on the Hughes Air West seniority list; 12 ALPA members flew a partial operation from Dec. 22, 1971, until Feb. 22, 1972. At that time a back-to-work agreement was reached and an additional 92 pilots were recalled. On Mar. 8, 1972, all remaining pilots on the seniority list (283) were recalled. Once on the payroll, pilots received at least their monthly guarantees until Apr. 10, 1972, when a full operation was implemented. CAB statistics, however, indicate that a complete level of services was not accomplished until Apr. 30, 1972. Using the above information it has been estimated that 12 pilots lost 7 days pay (Dec. 15, 1971, to Dec. 22, 1971), 92 pilots lost 69 days pay (Dec. 15, 1971, to Feb. 22, 1972), and 283 pilots lost 84 days pay (Dec. 15, 1971, to Mar. 8, 1972).

⁴ Pilots were only on strike for 122 days.

⁵ Estimated.

Note.—NA—Not applicable.

SOURCES AND/OR METHODOLOGY

Col. 1: U.S. Department of Labor and Civil Aeronautics Board; duration includes periods of partial operation.

Col. 2: CAB Form 41 Schedule P-2 and letters filed by individual carriers pursuant to Order No. E-13899.

Col. 3: Unless specifically indicated, figures were derived from the ALPA membership inventory for the month in which the strike began.

Col. 4: ALPA finance and accounting department.

Col. 5: Col. 2 divided by col. 1.

Col. 6: ALPA pilot membership age-wage analysis for the year prior to that in which the strike began.

Col. 7: Col. 1 multiplied by col. 3 multiplied by col. 6.

[RECESS]

Senator CANNON. The hearing will come to order. The first witness is Mr. John F. Peterpaul, International Vice President of International Association of Machinists and Aerospace Workers.

STATEMENT OF JOHN F. PETERPAUL, INTERNATIONAL ASSOCIATION OF MACHINISTS & AEROSPACE WORKERS; ACCOMPANIED BY FRANK WALDNER, ADMINISTRATIVE ASSISTANT; WILLIAM MAHONEY, ATTORNEY; AND ELTON BARSTAD, AIRLINE COORDINATOR

Mr. PETERPAUL. Thank you, Mr. Chairman, As you stated, I am John F. Peterpaul. I am International Vice President of Transportation for the International Association of Machinists and Aerospace Workers with offices at 1300 Connecticut Avenue NW., Washington, D.C. Accompanying me here is our attorney, William Mahoney, who along with his law partner has handled the Mutual Aid Pact and on behalf of our organization since its inception since 1956, and accompanying me is my administrative assistant, Frank Waldner, and our airline coordinator, Elton Barstand, who handles the daily affairs with respect to the airlines.

I would appreciate it if you would have my appendixes placed into the record.

Senator CANNON. It will be made part of the record.

Mr. PETERPAUL. The IAM is the largest union in the air transport industry with 1 million members; 80,000 of these being employed in the air transport industry through the United States.

I appear here today in their behalf.

We support the enactment of S. 306 because the air transport industry's Mutual Aid Pact constitutes a serious threat to our national air transport policy as well as our national labor policy.

We now ask the Congress to weight the wisdom of such agreements in their effects upon our air transport policy and our labor policy.

We are not here to present our views on what we believe to be violation of the Federal Aviation Act by the three-member majority of the CAB in approving the latest version of the Mutual Aid Pact. While those three members, Secor Browne, chairman; Whitney Gilliland, vice chairman; and Robert D. Timm, rejected the views of members, G. Joseph Minetti, and Robert T. Murphy, as well as the views of the Administrative Law Judge, Arthur S. Present, who presided over the hearing, the issue here is not whether those three members of the Board complied with the law but rather whether the policy established by those three members and the air transport industry is to be continued by Congress as our national air transport policy and our national labor policy. We are firmly convinced that Congress has no desire to pursue the course set by the air transport industry and the Civil Aeronautics Board and that therefore it will enact S. 306 in rejection of that course.

Because appendix A details the history of the Mutual Aid Pact, I will not repeat that history here except to note that the pact began in October 1958 as an agreement among six major airlines. Its purpose was to protect each of them in part from the effects of an illegal strike or a strike to secure demands in excess of the recommendations of a Presidential emergency board.

Its method was to have the nonstruck members contribute to the struck member the increased revenues the nonstruck carriers received—less incidental expenses—because the struck carrier had reduced or ceased operations. These were called windfall payments.

Seventeen months later the purpose of the pact was modified significantly by making it applicable to all strikes. And 2 years after that in 1962 the method of protection was changed by the introduction of supplemental payments where the windfall payments did not total at least 25 percent of the struck carrier's normal operating expenses.

Having now rather quickly altered the purpose of and method of protection in the pact, it was only necessary to wait a respectable time to increase that protection to the point where the effect of the pact was totally transformed.

The carriers accomplished the objective in October 1969, when they increased supplemental payments to equal 50 percent of a struck carrier's normal operating expenses during the first 2 weeks of a strike; 45 percent for the third week of a strike; 40 percent for the fourth week; and 35 percent thereafter.

Incredibly the CAB by a 3 to 2 vote on July 27, 1970, approved the transformed 1969 Mutual Aid Pact without a hearing and without briefs or oral argument. Following the filing of petitions for reconsideration by the IAM and other unions claiming denial of due process, the Board remanded the matter to an Administrative Law Judge for hearing.

The judge rejected both the 1969 and 1970 versions of the pact as contrary to the public interest, but the same three members of the Board who had voted approval of the pact without hearing, voted to reverse the Administrative Law Judge and reinstate their original approval.

We consider it highly significant that the dissenting Board members in their dissenting opinion charged the Board majority with antilabor prejudice. We believe such a charge to be unique in the annals of Federal agency decisions but one which was fully justified and thoughtfully deserved.

I have attached as appendix B to this statement a detailed analysis of the CAB decisions relating to the 1969 and 1970 amendments to the pact.

The undisputed finding of the Administrative Law Judge on the evidence submitted was that during a full shutdown a struck carrier can limit its operating expenses to 29.2 percent of their normal level. The Mutual Aid Pact, however, provides a minimum of 35 percent of the normal level from the fifth week of a strike onward and prior to that time from 40 percent to 50 percent of the normal level.

In terms of simple arithmetic alone therefore a carrier would realize from 5.8 percent to 20.8 percent net profit during the course of a strike. In confirmation of that conclusion, one need but look at the evidence of strike profits presented to the Administrative Law Judge.

The carriers claim, and the Board majority found, that besides the admitted profits which a carrier realizes under the latest Mutual Aid Pact during the course of a strike, it suffers poststrike losses in terms of startup costs and diversion of traffic.

They also claim the loss of speculative normal profits a carrier might have realized had there been no strike. As the dissenting members of the Board pointed out, the startup costs as well as the traffic diversion

losses are, for the most part, a static figure once the strike has gotten underway and will not increase appreciably after the strike has exceeded a week or two.

Experience now confirms the conclusions of the dissenting members of the Board. On November 1, 1974, National and IAM settled a strike that had lasted 107 days. National recently reported its first quarter net earnings for 1975 as \$6.4 million. When National's first quarter earnings are compared with nonstruck air carrier first quarter earnings for 1975 and 1974, the 107 day strike would appear to have caused insignificant, if any, poststrike losses.

One thing is certain, so long as a carrier realized a profit during the course of a strike and does not suffer financially during the strike, it is unlikely they will negotiate an end to that strike except on terms favorable to itself.

Perhaps the most significant provision in the new Mutual Aid Pact is the one which increases a carrier member's contributions from one-half of 1 percent to a full 1 percent of the operating revenue of that carrier for the calendar year preceding the year in which the strike occurs.

The evil in this arrangement is that a contributing carrier may have had a very good year prior to the strike but may be suffering severe economic reverses at the time it is required to pay over to a struck carrier member up to 1 percent of its gross air transport operating revenue for that previous year.

On considering the 1-percent contribution requirement it should be emphasized that this is 1 percent of the gross revenue from the prior calendar year and is applicable only to supplemental payments. The 1-percent limitation does not apply to the so-called windfall payments.

An additional effect of Mutual Aid payments of which the traveling public should be aware is the direct contribution which they make to a struck carrier when the revenue received from their ticket purchase is paid over to that carrier to support it in its dispute with its employees.

Attached to my statement as appendix C is a tabulation of payments made to carriers under the Mutual Aid Pact from the date of its inception through 1970, which was taken from carrier exhibits submitted in evidence in the latest Mutual Aid Pact hearings before the Board, and a tabulation of payments and receipts since January 1971, taken from reports made to the Board by the carriers. I ask that it be copied into this record as if read.

Since January 1971 National has received almost \$31 million in Mutual Aid, while contributing nothing to other carrier members. The year before, National received an additional \$28 million. Since January 1971 Northwest has received \$27.7 million while paying out \$2 million.

In 1970 Northwest had received an additional \$47.2 million. Since January 1971 United has paid out almost \$49 million while receiving nothing in return; Pan American has paid out \$23.5 million, while receiving nothing in return; and Eastern has paid out \$24.9 million, while receiving but \$1.4 million in return.

It seems to us quite clear that for reasons best known to themselves carriers with generally good labor relations records are continually subsidizing carriers with generally bad labor relations records despite

the obvious ill effects which that subsidization has upon the paying carriers' financial stability.

Eventually this cash drain will have serious effects upon all carriers as it has had upon Pan American and then those carriers also will come to this Congress seeking financial assistance and perhaps they will even do what Pan American has done, request their employees to foot the bill for their past mistakes under mutual aid.

It seems to me that little argument should be necessary to convince anyone that there is a direct relationship between the 1969 and 1970 versions of the Mutual Aid Pact and the length of strikes in the industry. The reason why strikes are now much longer is evident, during the strike the struck carrier is receiving a net profit. It is very difficult to convince a carrier to sit down and bargain seriously—and that means compromise, and that means compromise on both sides—when its financial picture is getting better as the strike lengthens.

The chairman of the board of TWA has convincingly confirmed the conclusions of the dissenting members of the Board and Administrative Law Judge. It is indeed unfortunate that neither the majority of the Board nor the courts had the benefit of his candid remarks. On November 5, 1973, the Airline Stewards and Stewardesses Association began a strike against TWA.

Only 3 days later, the Honolulu Advertiser quoted TWA Board Chairman Tillinghast as saying:

TWA's profits for 1973 would be better off if the strike were not settled before year end. Should the strike end now, Mutual Aid income would end and all expenses would resume. Yet for several weeks TWA's revenues would be subpar since reservations fell with the strike news.

The strike was not settled until almost the year end and Mr. Tillinghast improved his profit picture by the receipt of over \$40 million in Mutual Aid payments.

This arrogant admission by the TWA board chairman, can only be explained in terms of one who has played the game through the Board's procedures and won, and does not care who knows the real effects of his victory because now no one can do anything about it. I submit to you that in his elation he forgot the Congress of the United States.

Prior to approval of the latest Mutual Aid Pact amendments, the Board had always held that benefits under a Mutual Aid Pact should only be paid when the struck carrier "Has in all respects acted in compliance with the Railway Labor Act."

The Board has now changed its view. The Board now holds that payments may be made to struck carriers held to be in violation of the Railway Labor Act unless the violations caused the strike or involve refusal to "bargain in good faith" in attempts to settle the strike.

In two of the longest strikes which have occurred since the 1969 amendments became effective, carriers have been held in violation of the provisions of the Railway Labor Act but have continued to receive substantial payments under Mutual Aid during the strikes.

Despite the fact that a Federal court, after a hearing, found Northwest in violation of section 2 Fourth of the Railway Labor Act, Northwest collected more than \$47,000,000 in Mutual Aid payments during that strike. The majority of the CAB relegated this significant fact to a footnote in its opinion and referred to it as an alleged violation of law.

The Mutual Aid Pact cannot be compared with any other cooperative venture by any group of labor organizations or management in any other industry. The railroad industry strike insurance plan is not comparable. The plan can only be used in the event of an illegal strike and then its benefits provide a bare subsistence level to the struck carrier. In any event it has not been a factor either in collective bargaining in the railroad industry or upon our national rail transportation policy.

If the situation worsens, as it most surely will worsen as the pact is continually amended, expanded and approved by the CAB the employees of the industry will be forced to develop methods of protecting themselves.

Throughout the testimony of the air carrier witnesses who have appeared before the Board in proceedings relating to the balance of the collective bargaining strength in the industry such as the Mutual Aid Pact proceedings, and the proceedings involving the establishment of a single bargaining agent for the industry called the Airline Industrial Relations Conference, there was repeated reference to the carriers' need to develop arsenals of weapons to be used against the unions, as if collective bargaining was a kind of warfare in which each side was out to beat the other to its knees. In our view that has never been the object of the IAM labor policy or the policy of any responsible labor organization. We hope it never will be.

SENATOR CANNON. Mr. Peterpaul, I am going to have to go over on a vote. I am going to let you finish your statement and let course I ask a few questions I have here, and then I will return.

MR. PETERPAUL. Certainly, sir.

We have not as yet reached that critical stage but we are most assuredly approaching it. No union official wants such a catastrophe as this to occur. No responsible carrier official should desire it either, but shortsightedness has been the cause of many unwanted tragedies.

S. 306 is the only hope we now have of avoiding economic warfare, in this industry, of preventing CAB sanctioned violations of laws, of preventing prolonged interruptions to air commerce, and of eliminating unnecessary and extreme drains on the capital resources of those carriers which maintain good labor relations.

We respectfully urge, as imperative, the swift enactment of S. 306. Thank you for your courtesy and attention to my remarks.

MR. GINTHER. Mr. Peterpaul, some question has emerged this morning in regard to the strike funds which unions maintain to pay their people in the event of a strike. Is it a fact that the strike funds are generally derived from dues paid by union members to their union organization?

MR. PETERPAUL. Certainly. I think when we review it we can see that—well, first of all, I believe the majority of unions in the air transport industry do not have a strike fund. To the best of my knowledge, and I have read this from reviewing some documents that, ALEA and FIEA have no benefits, and I believe there were four that did, and four did not including ourselves and the airline pilots who quoted their strike fund figures this morning.

I believe the maximum was \$15 a day, and I think we were the second highest at \$40 a week, and this is certainly derived from dues moneys. It come directly out of the members' wages each month.

Mr. GINTHER. The reason I raised the question is that there seemed to be some confusion about the taxability of income which pays for both the Mutual Aid Pact benefits and the strike fund which the various unions maintain to assist their members.

If my recollection is correct, the dues that a union member pays to a union, part of which is going into a strike fund, are in fact tax deductible when that union member pays income tax on the 15th of April. Is that correct?

Mr. PETERPAUL. That is correct.

Mr. GINTHER. So the record should indicate that there is a tax deduction allowable for union dues which go to finance strikes.

Mr. PETERPAUL. That is right.

Mr. GINTHER. Thank you.

You mentioned that during the 1974 strike between National Airlines and machinists and mechanics, National earned a profit, and if it were not for mutual aid, the strike would have been settled quickly.

Let me read how the company described the issues in that strike, and then ask you to comment. In 1974, the International Association of Machinists struck National Airlines for 110 days. On the eve of the strike, the company's offer to the union matched or exceeded the settlements of five trunk carriers who had already settled with the IAM.

That is in the current round of negotiations. However, at the crucial point in time, the union was demanding a 15 percent annual increase in wages, and a clause prohibiting contracting out of maintenance work, acceptance of which would have required the construction of new facilities costing \$42 million, assume double the company's labor costs for this group of employees.

Prior to that settlement, the union dropped its demand for new hangar facilities and wanted wage and benefit increases which raised the company's labor costs by 9.5 percent per year over the period of the contract.

Would you say that that is a factual account?

Mr. PETERPAUL. I disagree totally with that statement. I participated in those negotiations, and I would not agree with their statement. I can not comment with respect to what their additional labor costs were, but the reasoning behind the strike and what issues were involved, and what their attitude was toward Mutual Aid—I can. I participated in those negotiations.

To get into detail, being a negotiator, and talking about their attitude toward Mutual Aid, I would prefer not to, because I think as a negotiator it would betray a trust between myself and the management of National Airlines, but I can tell you that it was very favorable.

Mr. GINTHER. All right. The reason that the committee has asked questions this morning regarding particular labor disputes is because of the widespread contention that the Mutual Aid Pact Agreement and the amendments to it since 1969 have resulted in what appears to be lengthy strikes against two particular carriers; namely, Northwest and National.

What we are trying to ascertain is what the mutual parties say was responsible for the prolongation of those strikes, and whether difficult labor-management disputes were the result of the length of those strikes.

There does not seem to be much consensus from the prior witnesses that there was anything but Mutual Aid responsible for the rather lengthy strikes at Northwest and National.

Would you say a contract that results in a 29-percent increase in wages and benefits over 3 years indicates that the machinists did not have adequate bargaining power insofar as their position vis-a-vis the company is concerned?

Mr. PETERPAUL. What is the 29 point some percent? What contract are we referring to?

Mr. GINTHER. It is our understanding that in the strike dispute to which you just referred, the National strike, at the conclusion the contract was agreed to between the two parties which resulted in approximately a 29-percent increase in wages and benefits over 3 years.

If I am mistaken I hope you will correct the record on that.

Mr. PETERPAUL. I cannot quote. Those are, I assume, their figures. This all depends on how they cost analyzed the contract. I have got to assume that it would be in the ball park of correctness. Let me qualify something by saying that the reason for that strike was not so much wages.

There were two major items involved in that strike. Initially there was contracting out work, which was resolved midway, and the other two items were health and welfare and pensions and putting them comparable with the rest of the industry.

Now the question you are raising, Mr. Ginther, is that it is obvious that mutual aid—when you talk about two items, such as pension and health and welfare normally speaking when you are in negotiation with a carrier, these are things normally resolved very readily.

I think it is obvious that a carrier could sit back and say no, because we took a position that our demands were not unreal. We have to assume that mutual aid benefits did play a major role in that discussion.

Eastern Airlines is housed next to National in Miami, Fla. We were trying to duplicate the same health and welfare and pension benefits that we had with Eastern Airlines for our people.

Mr. GINTHER. As a result of the settlement of that particular dispute, did you achieve that parity?

Mr. PETERPAUL. We came very close, Mr. Ginther.

Mr. GINTHER. Elsewhere in your testimony, you have disputed the airlines' contentions that their strikes have caused losses, and at one point you stated you could not term what you call speculative profits, the profits of the carrier had it not been struck.

You also stated that National earned some amount in the first quarter of this year. The record ought to show the comparison that you make there with Trans World, American and United is not really a very fair comparison in that three carriers normally show a loss in the first quarter, and National is a carrier that normally shows a profit for the first quarter.

We understand that as a result of the National strike with the machinists its traffic had been over 30 to 40 percent a month since the strike was over. One might assume that had National not had the strike and had not lost a significant share of its traffic to other carriers that profits in the first quarter of 1975 would have been much more than \$6.5 million.

Do you have a comment on that?

Mr. PETERPAUL. I was referring to some of the comments made by the administrative law judge when he talked about post-strike startup.

As far as the figure for the first quarter of 1975, when we review the other carriers, and we have a little difficulty here, because we could only get about, I think, four carriers. That was all we could obtain the figures for the first quarter of 1975.

When you take them all into consideration, and you look at them, and take American Airlines, that is somewhat competitive with National Airlines in some of the routes, and you take the losses that each of them incurred, from \$8.7 million upward to \$73 million for TWA, that a profit of that figure for National Airlines is a heck of a plus figure.

I believe it is comparable to their 1974 earnings, especially when you talk about the length of the strike.

Here is a strike, where in 1974 you are talking about \$11 million, and this was \$8 million.

Mr. GINTHER. I would simply point out again that the three other carriers involved generally in the last several years have reported significant losses in the first quarter, because their traffic is seasonal during the 6 months that come in the middle of the year, whereas National's first quarter has traditionally been the best quarter.

Mr. PETERPAUL. I think it is dramatic that you take a carrier the size of United Air Lines, and I think this is probably some gage of the industry to a large degree, where in the first quarter of 1974 you are talking about plus \$9 million, and in the first quarter of 1975, it is almost a minus \$9 million.

I think that is a good barometer to use for the industry.

Mr. GINTHER. The first quarter of 1974 was unique, when the fuel crunch occurred, and all airlines had significant decreases of traffic during that period.

I have no further questions, Mr. Chairman.

Senator GRAVEL. Thank you very much, Mr. Peterpaul.

[The attachments referred to follow:]

APPENDIX A

HISTORY OF THE AIRLINES MUTUAL AID PACT

1. *The Original Mutual Aid Pact and Its Consideration by the Civil Aeronautics Board*

The original Mutual Aid Pact was executed on October 30, 1958, effective October 20, 1958, between American, Capital, Eastern, Pan American, TWA and United. The Pact provided mutual assistance in the event that the flight operations of any air carrier party were shut down by reason of:

(1) a strike called to enforce union demands in excess of or opposed to the recommendations of a Presidential Emergency Board appointed under Section 10 of the Railway Labor Act; or

(2) a strike called before exhaustion of the procedures of the Railway Labor Act in disputes between carriers and employees; or

(3) a strike which is "otherwise unlawful".

Such assistance was in the form of an agreement by the air carrier parties to pay to the strike-bound carrier the increased revenues of the other carrier parties attributable to the strike, less applicable added direct expenses. These were the so-called "windfall payments." The Pact was for one year's duration and was filed with the Board for approval under Section 412 of the Federal Aviation Act. Such approval was opposed by the unions representing airline employees.

In their presentation to the Board in support of the Pact, the participating airlines argued that such an agreement was necessary because of a claimed imbalance in labor-management relations in the industry. The carriers contended that this alleged imbalance grew out of inter-union and intra-union cooperation and concerted action in connection with contract negotiations and strikes.

The participating carriers also argued that the payments provided for in the original Pact were calculated to enable a carrier to bargain more effectively in the face of unlawful union conduct or union demands which exceeded or conflicted with the recommendations of a Presidential Emergency Board and would thereby deter strikes.

The Board conducted summary proceedings on the carriers' application, which did not include an evidentiary hearing, but did include briefs and oral argument and on May 20, 1959, issued Board Order No. E-13899 approving the Pact subject to a condition, among others, that the approval should not affect the rights and obligations of the parties or their employees under the Railway Labor Act. The decision is reported as the Six Carrier Mutual Aid Pact, 29 C.A.B. 168 (1959), recon. den. 30 C.A.B. 90 (1959). Member Minetti, who is the only present member of the Board who participated in the 1959 consideration, dissented.

In that decision, the Board considered whether the Pact violated the Railway Labor Act and concluded that it did not. The decision to this effect was a negative one couched in the language that "we must conclude that the unions have failed to prove their contentions that the agreement violates the Railway Labor Act." (29 C.A.B. at 173.)

The decision, however, rejected the participating carriers' contentions that the Board's inquiry was limited to the question of whether or not the Pact threatens, by aggravation of labor disputes, to hinder achievement of the objectives set forth in Section 102 of the Federal Aviation Act. (49 U.S.C. 1302.) The Board stated that its range of inquiry in this area was limited to a consideration of the impact of the Mutual Aid Pact upon the stability and efficiency in air transportation that freedom from industrial strife would provide and that matters of general policy as to labor disputes are not the province of the Board but of the Congress. The Board's statement as to its functions in considering the "public interest" aspects of the Pact read as follows (29 C.A.B. at 173):

"We next turn to the question whether the agreement threatens, by aggravation of labor disputes to hinder achievement of the objectives set forth in Section 102 of the Federal Aviation Act. The public interest which we must guard, though not broadly one of employee welfare, includes attainment of a degree of stability and efficiency in air transportation that freedom from industrial strife will provide.

"The range of our inquiry, however, is limited to a determination of the effect of the agreement upon these statutory objectives. Matters of general policy as to labor disputes are not to be considered by the Board in assessing whether the agreement is adverse to the 'public interest'. It is the function of Congress, and not of the Board, to weigh the wisdom of such agreements as a factor in the furtherance of labor policies not directly related to the promotion of a sound air transportation system."

In accordance with this stated limitation of its functions in considering the Pact, the Board found that "we must disregard allegations concerning the relative bargaining endurance of the parties, unless the asserted imbalance in labor-management relations poses a threat to the development of a stable and efficient air transportation system" (29 C.A.B. at 173). The Board then stated that it could find no such threat (29 C.A.B. at 173-174):

"After examining the record, we cannot conclude that the industry has been or, with the agreement, will be afflicted by such a disparity in economic power as to jeopardize the attainment of the statutory objectives."

With this finding, the Board's opinion in substance rejected the carriers' principal contention as to the problem confronting the air carriers in their labor relations, i.e., an alleged basic "imbalance in labor-management relations." Under these circumstances, the majority went ahead to approve the Pact, not upon the basis of any showing that it was in the public interest but, on the purely negative basis that the unions had not made an "affirmative showing that the agreement is adverse to the objectives specified by the Congress".

In so doing, the majority specifically disclaimed any intent to determine whether or not the Pact was wise or beneficial in the promotion of harmony between labor and management in the air transportation industry. This highly technical action of the Board in approving the 1959 Pact appears quite clearly in the fully quoted disclaimer of the majority opinion, which reads in pertinent part as follows (29 C.A.B. at 177):

"After painstaking review of this matter, we have concluded that the agreement must be approved. *Our decision* is predicated upon the standards contained in the Federal Aviation Act, and *does not attempt to prescribe the most desirable method of adjusting labor-management problems.* Congress has not invested the Board with the task of selecting the most salutary approach to labor-management relations; rather, Section 412(b) peremptorily commands that 'The Board . . . shall by order approve any . . . agreement . . . that it does not find to be adverse to the public interest, or in violation of this Act . . .'. In performing our statutory function, we may do no more than measure the agreement against these standards in order to ascertain whether its effect would be so detrimental as to endanger achievement of the objectives laid down by Section 102 of the Act. Within this framework, the Board's order follows from the lack of any affirmative showing that the agreement is adverse to the objectives specified by the Congress. Thus *our approval herein does not reflect any determination as to whether the agreement is a wise or beneficial step in the promotion of maximum harmony between labor and management, generally, or in air transportation in particular.*" [Emphasis supplied.]

Member Minetti's dissenting opinion disagreed with the majority that the Pact was not in violation of the Federal Aviation Act of 1958 or adverse to the public interest. In the view of Member Minetti the Pact, because of the "coercion" inherent in it, "will destroy the practice while retaining the procedure of collective bargaining" (29 C.A.B. at 179). The dissenting opinion also emphasized the tendency of such agreements "to make belligerents of negotiators" (29 C.A.B. at 183).

The dissenting opinion also emphasized that the Board did not have before it sufficient facts in relation to the scope of the Pact or its effect to adequately pass judgment on it. The dissenting opinion concluded as follows (29 C.A.B. at 188-189):

"From all of the foregoing, I conclude that this mutual aid agreement must be disapproved as adverse to the public interest. The agreement strikes at the heart of the policy of the Railway Labor Act, a statute which embodies the wisdom acquired through years of trial and error in labor legislation. The public interest inherent in uninterrupted air transportation is not served by permitting management to pit itself openly and adamantly against good-faith bargaining with its employees. Air transportation will continue to progress only in an atmosphere of mutual management-labor respect and cooperation. It will not do so by permitting air carriers, in a private agreement, to rewrite the Railway Labor Act silencing the employee's voice in the determination of his wages and conditions of employment."

2. *The 1960 and 1962 Amendments to the Mutual Aid Pact and CAB Action Thereon*

On October 23, 1959, the six participating air carriers requested the Board to approve the continuation of the Mutual Aid Pact as it was then constituted for a further period expiring on October 20, 1960.

Before the Board had acted upon this request, the carrier participants on March 22, 1960, filed an amendment to the Pact (executed on March 7, 1960), which broadened the Pact to provide payments to struck carriers in situations in which the strike has been called in the absence of the establishment of a Presidential Emergency Board and the struck carrier has in all respects acted in compliance with the Railway Labor Act. In short, the Pact was broadened from a protection against illegal strikes to a protection against all strikes so long as the struck carrier obeyed the law.

Under the amendment, the Pact included all strikes, regardless of the reason therefor, and was the quid pro quo to the enlargement of the membership in the Pact by the inclusion therein of National, which joined on March 11, 1960; of Braniff, which joined on March 14, 1960; of Northwest, which joined on March 18, 1960; and of Continental, which joined on April 4, 1960, bringing the participating membership to ten trunk air carriers.

The airline unions objected to the amended Pact and the Board on June 20, 1960, instituted an investigation into it. The Board's order recited that the ten participating carriers carried approximately 90% of all trunk line traffic in 1959 and that the extension of the Mutual Aid Pact both in terms of membership and scope indicated an intent to make it a long-term feature of labor-management relations in the industry.

Before the hearing could be completed in the investigation which the Board had instituted, National and Continental had withdrawn from the Pact. National withdrew on December 31, 1961, because of dissatisfaction over the manner and

methods pursued by Eastern in the implementation of its obligations under the Pact. On October 27, 1961, Continental gave notice of withdrawing because in substance it appeared to Continental that it would always be on the paying end and not the receiving end of the Pact.

Also before the completion of the hearings in the Board investigation, the participating carriers filed with the Board on March 26, 1962, a document executed on March 22, 1962, further amending the Mutual Aid Pact. This amendment provided additional payments for a carrier party in the event of a strike on the property of a carrier covered by the Pact if the so-called "windfall" payments received were less than 25% of the struck carrier's normal air transport operations shut down as a result of the strike. This expanded Pact was also the quid pro quo by which the number of carrier participants in the Mutual Aid scheme was increased. The amended Pact became a part of the Board's investigation.

This time, the participating air carriers advanced an entirely different set of reasons for Board approval of the Mutual Aid Pact. Gone was the contention that the Pact was necessary to rectify an alleged imbalance in bargaining power. Also gone was the argument that the Pact would deter strikes. In their place, the participating carriers argued that air transport unions had repeatedly misused their strike power against the airlines; that the airlines' remedies under existing laws were inadequate to protect against such abuses; that even where there was no abuse of the strike power the airlines were helpless to defend against "excessive and unwarranted contract terms"; and that the mutual aid principle was necessary to protect the participating carriers against financial disaster.

The airline unions continued to oppose approval of the Pact on the grounds that mutual aid had hindered achievement of the objectives set forth in Section 102 of the Federal Aviation Act by the aggravation of airline disputes; that the Pact defeated the purposes of the Railway Labor Act by increasing interruptions to interstate commerce thereunder; that the Pact does not foster sound economic conditions in air transportation; and, that the arguments advanced by the participating carriers in favor of the Pact were lacking in factual substance.

On July 10, 1964, the Board by a 3 to 2 vote approved the Pact as amended for a period of three years subject to certain conditions. Mutual Aid Pact Investigation, 40 C.A.B. 559. Vice Chairman Murphy concurred only to the extent of the windfall payments provided by the Pact while Member Minetti voted to disapprove the Pact in its entirety. Once again, the Board approval was a "negative" action based upon a kind of burden of proof resting upon the unions to demonstrate that the Pact was adverse to the public interest. The Hearing Examiner had recognized that during the period of operations under the Mutual Aid Pact there had been a steady deterioration of labor relations in the airline industry characterized by an increasing number of strikes and an increase in the severity and length of such strikes. However, the Hearing Examiner found that because of obfuscation and uncertainty produced by the crew complement controversy it could not be determined whether the Mutual Aid Pact had acted as a primary causative factor in this deterioration. The majority opinion accepted this method of reasoning concluding that the fact of such deterioration during the period of operation of the Pact covered by the record did not raise a presumption that the deterioration was caused by the Pact nor in and of itself make out a *prima facie* case that the Pact violated the public interest.

During the period of operation pursuant to the Board's 1964 approval, there came before the Board an effort to extent the mutual aid principle into the local service industry. This effort appeared in the form of a Mutual Aid Pact between American and Mohawk, which was disapproved by a 4-to-1 vote of the Board on September 23, 1966. The Board's order recited that since "there is a real prospect that Mohawk's subsidy will be increased by reason of its participation in the agreement and we can find no offsetting public benefits justifying such a possible increase on subsidy burden, we conclude that the Agreement is adverse to the public interest".

3. The 1967 Renewal Application and Proceedings Thereon

The Board's approval of the Mutual Aid Pact expired on July 19, 1967. On December 31, 1966, Continental completed its withdrawal from the Pact, leaving only seven participating air carriers (the original members plus Braniff). On May 2, 1967, these participating carriers filed a joint application with the Board for permanent approval of the Pact, as amended, without further proceedings. This application was opposed by the airline unions. On November 17, 1967, the Board instituted an investigation which "will furnish a means for a complete reexamination of the issues previously considered by the Board in the light of such new matters as may have developed since 1964".

The major thrust of the participating carriers in the proceedings on the 1967 application was the contention that the Mutual Aid Pact was essential to the financial protection of the carriers against the losses incurred during strikes. Much of the evidence was devoted to the 43-day 1966 strike of the machinists represented by the IAMAW against Eastern, Northwest, TWA, United and National.

On March 7, 1969, Hearing Examiner Arthur S. Present issued his Initial Decision finding that the Mutual Aid Pact was not adverse to the public interest or in violation of the Federal Aviation Act of 1958, as amended, and approving it for an indefinite period subject to routine conditions.

Six union parties to the proceeding (including IAMAW) jointly filed a petition for discretionary review, which was granted by the Board on October 31, 1969. While this review was pending before the Board, the participating carrier since again broadened the scope of the Pact by new amendments.

4. Amendments to the Mutual Aid Pact of October 31, 1969, and Proceedings With Respect Thereto.

On October 31, 1969, there were filed with the Board further amendments to the Mutual Aid Pact. On December 2, 1969, there was filed master agreement which contained the amendments submitted to the Board on October 31, 1969, along with certain other language. These amendments were as follows:

(1) The amendments increased the level of supplemental payments under the Pact from the 25 percent of a struck carrier's normal operating expenses provided for in the 1962 amendments to 50 percent during the first two weeks of a strike, to 45 percent for the third week, 40 percent for the fourth week, and 35 percent for any period thereafter.

(2) The amendments also increased the annual maximum liability of any one participating air carrier for supplemental payments by doubling that liability from one-half percent to 1 percent of the carrier's gross air transport operating revenue for the carrier's previous calendar year.

(3) Alteration of the conditions of entry to permit any trunk carrier to join the Pact by November 15, 1969, without a waiting period or back payment. [Under these arrangements, National Airlines and Western Air Lines have now become parties to the Pact.]

(4) Modification of the conditions of withdrawal to provide that withdrawal may take effect at the end of any calendar year beginning December 31, 1972, provided that one year's notice of withdrawal is given.

(5) Modification of the arbitration provisions to provide that disputes concerning the amount of any payment shall be subject to arbitration. Previously, disputes over the requirement to make or the right to receive payment were subject to arbitration.

It was the position of the six union parties that the Board could not consider and act upon the Pact then presented to them because there had been no evidentiary hearing thereon and in the absence of such a hearing Board action would constitute a violation of due process requirements. The Board, however, on July 27, 1970, approved the Pact as amended. Members Murphy and Minetti dissented on the ground that the record before the Board was incomplete. They expressed the view that the case should be remanded to the Hearing Examiner for further proceedings.

The six union parties filed a petition for reconsideration of the approval order and the Board, on November 23, 1970, upon reconsideration, agreed that since the new amendments had not been the subject of an evidentiary hearing, the Pact should be remanded for such a hearing.

Before any further procedural steps were taken, however, the carriers once again broadened the Pact by further amendment.

5. The December 1970 Amendment to the Mutual Aid Pact for Local Service Carrier Participation

By an amendment, dated December 10, 1970, the Pact was further amended to permit local service carrier participation by providing in paragraph 1 of the amendment as follows:

"1. Notwithstanding the provisions of paragraph 2 of the Agreement.

"(a) any local service carrier holding a certificate of public convenience and necessity issued by the CAB may become a party to the Agreement by forwarding signed counterpart copies of the Agreement and of this Amendment to each of the other parties to the Agreement, to every other such local service carrier, and to the CAB for filing by December 29, 1970;

"(b) such adherence to the Agreement shall become effective as of 0001 hours January 1, 1971;

"(c) any such local service carrier not adhering to the manner provided in subparagraph (a) above, may do so in the manner described in paragraph 2(b) of the Agreement, provided that it also sign and forward to each of the other parties, to every other local service carrier, and to the CAB a counterpart copy of this Amendment."

Paragraph 2 made the provisions of the Mutual Aid Pact fully applicable to any local service carrier becoming a party thereto as follows:

"2. Subject to paragraph 1(b), above, the provisions of the Agreement, including paragraph 2, shall be fully applicable to any local service carrier once it becomes a party to the Agreement."

As noted above, there had been a prior effort between American and Mohawk to extend the principles of the Pact to the local service industry which had been rejected by the Board on September 23, 1966.

As thus amended, the Pact was approved by the Board on February 27, 1973.

APPENDIX B

ANALYSES OF DECISIONS OF BOARD ON LATEST MUTUAL AID PACT

1. *The Decision of Administrative Law Judge Present Rejecting the Latest Amendments to the Pact*

The Initial Decision was served on March 27, 1972, by Hearing Examiner (now designated Administrative Law Judge) Arthur S. Present.

While Judge Present had approved the Mutual Aid Pact as recently as March 1969, he held invalid the amendments of October 31, 1969, December 2, 1969, and December 10, 1970, which increased the level of supplemental payments to a struck carrier from 35 percent to 50 percent of that carrier's normal operating expenses depending upon the length of the strike; increased a member carrier's annual maximum liability from one-half percent to 1 percent of its air transport operating revenue for the previous calendar year; and, included participation by local service carriers.

Judge Present based his decision to disapprove the increased payments to struck carriers on his conclusion that "the increased level of mutual aid creates certain perils which may undermine the objectives of the [Federal Aviation] Act. These risks are so serious as to justify disapproving the increased level of payments."

He found that a carrier could "utilize the higher level of payments" as a consideration in determining when it is opportune to settle a strike, citing the record of the example of TWA which "was financially better off during the 2-day strike it incurred in 1970 than if it had fully operated on those days" and Mohawk which operated at a profit during a strike period with mutual aid but at a net loss without a strike even though it received \$592,000 in subsidy payments during the latter period. Judge Present then concluded that "the higher level of mutual aid payments may sway a carrier's decision as to when it should settle a strike, to the detriment of the public utilizing air transportation."

Judge Present based his decision to disapprove the increase in a carrier member's liability from one-half percent to 1 percent of its prior year's operating revenue on his conclusion that such increase could impair the financial condition of certain carriers. He found that the 1 percent limitation was not the true ceiling of carrier liability since the limitation applied only to "supplemental" and not to "windfall" payments. He cited the example of Eastern whose total payments exceeded the "supplemental" payments by some 227 percent and exceeded 2 percent of Eastern's 1969 air transport operating revenue. Also cited was the reduction of United Air Lines' working capital from an estimated \$47,225,000 to \$17,520,000 as of December 31, 1970, because of its mutual aid liability and the payment by Pan American of \$9,404,000 in 1970 on the basis of a year in which its rate of return was negative (1969) 70 percent of those payments being "supplemental" payments.

Also noted was the fact that the record indicated "no important attention" was paid by the carriers to the financial conditions of paying and receiving carriers in formulating the provisions of the Pact. In addition, Judge Present noted that there had been an "extraordinary shift in balance of [mutual aid] payments toward 'supplemental' payments" since the 1969 amendments; and, found that of the \$187,485,000 paid out under the Pact from 1958 through June 1971, 45 percent, or \$84,368,250, was attributable to the four strikes since the inception of the 1969 amendments and that 27 percent of the total mutual aid payments since 1958,

or \$49,688,000, were reflected in the "supplemental" payments made in connection with four strikes in the 20-month period between October 1969 and June 1971.

Judge Present concluded the "dangers are apparent and outweigh the benefit that may be obtained by struck carriers from the additional financial support afforded by the augmented level of mutual aid."

He based his decision that local service carriers should be excluded from the Pact upon the conclusion that their participation in it would not be consistent with the public interest and inconsistent with the statutory scheme as reflected in Section 406 of the [Federal Aviation] Act [49 U.S.C. 1376]. This conclusion was based on a number of findings:

(1) Local service carrier members would pay struck members from their working capital which would include subsidy receipts at a time when shut down and ineligible for the receipt of subsidy monies when on a "closed rate".

(2) Trunk line carriers which do not receive subsidy would also receive subsidy monies by payments to them from local service carrier working capital.

(3) Subsidy payments are made during a strike to local service carriers on an "open rate" and therefore mutual aid is unnecessary.

(4) Many local service carriers are in financially serious condition and should not be subjected to the liability of mutual aid payments.

(5) If local service carriers as a group tend to gain more in money from mutual aid than they will pay into it, then they should not be included because in the last few years "the financial results of the trunkline carriers . . . indicate they can ill-afford such a drain on their resources", e.g., in 1970, the rate of return was 1.5 percent.

(6) Record presents no "urgent need" for local service carriers to join mutual aid or that local service carriers have been or are "especially inviting targets for union attempts to establish industry precedents".

On the day Judge Present's decision was issued, (March 27, 1972), the amendment providing for increased payments to struck carriers and increased liability of member carriers had been in effect for some 29 months and the local service carrier amendments had been in effect for 15 months without Board approval. During that period struck carriers had received and member carriers had paid out some \$83,585,000.

2. *The Three-Member Board Decision Rejecting the Present Decision and Approving the Pact as Submitted and the Dissenting Opinion.*

Exceptions to the Present Decision were filed with the Board and, on February 27, 1973, the Board issued its opinion and order. By a vote of 3 to 2, the Board reversed the Present Decision and approved the amendments as submitted, subject only to a condition that "no payment or obligation incurred pursuant to the Agreement shall be claimed as an expense for purposes of computing the need of such carrier for compensation payable by the Board under section 405 of the Federal Aviation Act; nor shall any carrier be entitled to receive any compensation payable by the Board for payments made or obligations incurred by that carrier pursuant to the Agreement." The Board's approval was limited for a period of five years.

(a) *The Majority Opinion.*—Three members of the Board voted to approve the Mutual Aid Pact and its amendments as submitted. They determined the primary issue to be:

"Whether the mutual aid payments so shifted the bargaining balance in favor of carriers as to create a serious likelihood that a carrier might resist settlement of a strike on a reasonable basis in a circumstance where such a settlement was possible."

The three-member Majority concluded that the mutual aid payments could not become "a significant factor in prolonging a strike that otherwise was capable of settlement on a reasonable basis." They found that the purpose of the increased payments to struck carriers was to increase a "carrier's willingness or ability to resist union demands which the carrier considers to be unreasonable" but that such purpose was not adverse to the public interest since other economic pressures existed which would prevent the carrier from being "significantly influenced" by reason of mutual aid payments "to resist what it considered to be a reasonable settlement, or to try to force unreasonable concessions on the part of labor."

The economic pressures referred to by the Board were "the out-of-pocket costs occasioned within the strike period"; the "loss of benefits which would have accrued had there been no strike"; and, the "loss of post-strike revenue" because of passengers changing their travel patterns during a particular carrier's strike.

The Majority referred to the conclusion by Administrative Law Judge Present that National, Northwest, and Mohawk had realized operating profits "during their strike periods, which were attributable to the new higher level of amended mutual aid payments, as well as TWA's decreases in losses." The Majority, however, rejected those conclusions on the grounds that they were based on strikes which occurred "primarily in 1970, an atypical year which reflected losses by many carriers"; and, did not take into account the "anticipated profits which they [the struck carriers] otherwise would have achieved, as well as post-strike losses." The Majority then held that the operating profit realized by the named carriers during their strikes because of augmented mutual aid payments "fall far short of real profits" and concluded that the "losses from strikes despite mutual aid payments remain substantial and continue to exert tremendous economic pressure on the carrier's side of the bargaining table." The Majority rejected the conclusion of the Administrative Law Judge that the existence of the higher mutual aid payments created a dangerous tendency to prolong a strike.

The Majority based their rejection of that conclusion upon their findings that in the National strike the carrier had accepted a proffer of arbitration but it had been rejected by the union; the union rejected arbitration in the Northwest strike before the company had indicated whether or not it was seeking to arbitrate; and, in the Mohawk strike the union refused to agree to arbitrate only a *part* of the issues as the *carrier desired* (the union would only agree to arbitrating *all* of the issues in dispute).

The Majority then found that the record was "replete with evidence of the earnest and consistent good faith efforts of National, Northwest, and Mohawk, as well as other mutual aid members affected by strikes, to find a resolution to their strikes". The Majority rejected the United States District Court findings of Northwest's Railway Labor Act violations and its issuance of an injunction against Northwest as mere "alleged Railway Labor Act violations" which were unrelated to any issue of prolongation of the Northwest strike. In any event, held the Majority, assuming Northwest's violations did prolong the strike, they did not affect the Majority's conclusion that the Pact was consistent with the public interest because of "isolated instances of the nature of this *alleged* Railway Labor Act violation." (Emphasis supplied.)

In concluding that portion of their opinion in which they held the increased payments under the Pact to be consistent with the public interest, the Majority again stated their belief that the Pact "would not contribute to the unnecessary prolongation of strikes or otherwise upset a fair economic balance between labor and management in any manner which would be contrary to the public interest" because the amended Pact "does not relieve carrier management of significant economic pressure to settle a strike even though it may enable a carrier to survive a strike without permanent financial instability".

The Majority rejected the findings and conclusions of the Administrative Law Judge that the increased liability of the carriers under the Pact would be detrimental to the public interest. They justified their conclusion by comparing, on a percentage basis, the level of supplemental payments paid by benefiting members with the level of benefits received by struck carriers.

The Majority concluded that the Pact provided "substantial protection from financially crippling strike losses, at a cost which is reasonable" even though the amended Pact might result in imposing "a certain financial burden on carriers which may be financially weak."

The Majority felt, however, that this burden "unlike potential strike losses, will not be a crippling one" and would protect the carriers "most vulnerable to strike threats" from facing "a choice between acceding to demands creating expenses far exceeding strike losses or incurring strike losses resulting in ruinous financial instability." Finally, the Majority rejected that portion of the decision of the Administrative Law Judge which would have excluded local service carriers from membership in the Mutual Aid Pact. The Majority in this portion of its decision disdainfully characterizes the findings and conclusions of the Administrative Law Judge as "arguments and contentions".

The Majority rejected the conclusion that there was no practical means for segregating subsidy funds from a carrier's general funds from which mutual aid payments might be drawn. They held that "subsidy payments normally make up a very small portion of a carrier's overall revenues" and "so long as Mutual Aid payment expenses are excluded from the subsidy computations, there is no basis for concluding that the Mutual Aid payments would, in any realistic way, be funded by subsidy payments." The Majority again emphasized their belief that Mutual Aid provides "local service carriers with significant protection against the financially crippling" effects of a strike.

The Majority rejected the conclusion that trunkline carrier payments to local service carriers are proportionately higher than local service carriers would have to make and therefore constitute a financial drain on certain weak trunkline carriers which would be adverse to the public interest. The Majority concluded that the Pact provided reasonable assurance that the financial drain would be borne by those carriers which on the basis of total revenues "are in the best position to incur it" and, in any event, "it did not appear unreasonable to them for the trunkline carriers to seek, and pay a price for, some protection against the possibility that a local service carrier, solely by reason of its relatively weak condition, might succumb to employee demands which otherwise would be unacceptable and which could then be demanded of the trunkline carriers as a new industry norm."

The Majority concluded its opinion with a consideration of "the Mutual Aid Agreement as a whole". In this discussion the Majority referred to a strike by employees of a carrier as "undue economic pressure"; and expressed their tacit belief that absent the amendments to the Mutual Aid Pact, the employees of carriers could compel their employers to accept all requests made by the employees.

The Majority again emphasized their belief in air carriers' peculiar vulnerability to strike threats and concluded that Board approved "additional restraints" upon labor was "not contrary to the public interest".

(b) *The Dissent.*—The dissenting members of the Board disapproved both the increased "supplemental" payments to a struck carrier and the increased liability of member carriers as contained in the October 1969 amendments. They also stated they would "remand for further hearing the issue of whether an additional condition should be imposed precluding payment of benefits under the Agreement to a struck carrier which has violated the Railway Labor Act subsequent to the commencement of a strike". Finally, the dissenting members concluded they would approve the inclusion of the local service carriers in the Mutual Aid Pact as provided by the December 1970 amendments if their inclusion was made subject to the condition imposed by the Majority.

At the outset of their opinion the dissenting members found it necessary to comment upon the obviously partisan character of the Majority's opinion. The Majority had stated the issue in the case to be:

"* * * [W]hether mutual aid payments so shift the bargaining balance in favor of carriers as to create a serious likelihood that a carrier might resist settlement of a strike on a reasonable basis in circumstances where such a settlement was possible."

The criticism leveled at the Majority's Opinion is virtually unique in the annals of federal agency opinions. The dissenting members strenuously disapproved the Majority's injection of itself into the bargaining structure of the industry:

"* * * [We] regret that the Board's majority opinion here goes as far as it does in seeming to identify the public interest with strengthening the bargaining position of carrier management in airline labor disputes, which is the evident purpose of the Mutual Aid Agreement. Such an air of partisanship between management and labor by a regulatory agency is antithetical to the national labor policy, and should be strictly avoided.

"The Board's dilemma, of course, is a real one: under most circumstances, in view of its promotional role toward the air transportation industry and its regulatory responsibilities toward the traveling public, the Board is bound to regard whatever lowers airline costs as good, and whatever increases those costs as bad. Nevertheless, the Board cannot take that attitude toward airline wages without becoming a partisan on the side of management against labor. We do not suggest that the Board majority has here in any way deliberately set out to align itself with one side or the other of airline labor disputes. Nonetheless, it is difficult to read the majority opinion as a whole, with its recurrent emphasis on the 'stability' assertedly afforded by the Mutual Aid Agreement and on the 'reasonableness' of management positions (with no explicit recognition that union positions may be equally reasonable from the standpoint of the workers' interests), without deriving a distinct impression that the majority believes that strengthening management's bargaining power in wage disputes is an affirmatively beneficial thing.

"However difficult it is for the Board to preserve a stance of total neutrality in labor-management conflicts, once the parties have fulfilled their statutory obligations under the Railway Labor Act, we believe the Board must bend every effort to do so. To that end, we would rigorously avoid making any judgments

as to the reasonableness of either management or union positions and actions, either in general or in relation to particular disputes. We would recognize that 'reasonableness' in labor disputes is a term with no fixed or generally agreed meaning, and one which inevitably takes on quite different connotations on opposite sides of the bargaining table."

The Dissent rejected the issue as phrased by the Majority:

"In our view, the issue is not whether the strengthening of airline management's bargaining position which obviously results from the 1969 mutual aid amendments is a good thing *per se*—a judgment which in our view the Board need not and should not make—nor is it whether airline employees retain effective bargaining power, which they patently do. The issue, rather, is whether under some significant sets of circumstances the 1969 amendments may give carrier management an incentive to act irresponsibly in prolonging a strike."

On the issue of the increased "supplemental" payments under the October 1969 amendments to the Agreement, the Dissent agreed with the conclusions of the Administrative Law Judge "who heard the testimony of the witnesses" that such increased payments created a "distinct danger" that interruptions to airline service would be "prolonged by the level of payments available under the amended Agreement."

The dissenting members noted that the amendments were designed to provide payments which would exceed a struck carrier's running expenses and that consequently it was now typical for a struck carrier to show a profit during a strike. The Dissent notes that the Majority admitted the increased "supplemental" payments were "bound to influence carrier managements in the direction of holding out against union demands" but—according to the Majority—such resistance would be maintained only against "unreasonable" demands. Here, the Dissent also noted that "one man's unreasonable demand is another's reasonable request". The Dissent rejected the Majority's conclusion that air carrier managements would resist only "unreasonable" demands as a finding that was "both futile and contrary to the Board's proper role as a neutral in labor conflicts".

The Dissent rejected the Majority's conclusion that airline wages have increased unduly because of the air carriers' "peculiar vulnerability to strikes" on the grounds first, that there was no evidence to support a finding that the air carrier industry was any more vulnerable to strikes than other service industries or perishable goods industries, and second, that there was no requirement in the national labor policy that all industries must be placed upon the same bargaining footing as hard-goods manufacturing industries. The Dissent then lists numerous other factors ignored by the Majority which could account for increases in wages in the airline industry.

The Majority had refused to recognize the profits provided by the October 1969 amendments to a carrier during a strike because they fall "far short of real profits". In order to support that conclusion, the Majority held that because of a strike a carrier would lose its projected "normal" profits and would incur "post-strike losses".

The dissenting members rejected the Majority's view of the profits realized by a struck carrier under the October 1969 amendments. The Dissent concluded that "the critical point is that under the 1969 amendments a struck carrier's mutual aid payments can be so generous that it can show an operating profit while its operations are shut down by a strike". That fact the Dissent concluded to be a "fundamentally unhealthy situation, conducive to results adverse to the public interest, much as would be an insurance scheme which resulted in the insured collecting more than the value of his loss".

The Dissent concluded that the "normal" profit loss relied upon by the Majority was immaterial since the evidence demonstrated that several of the carriers who had been struck since the October 1969 amendments had been in effect had no profits to lose and that strikes often occurred during the "off-season" when carriers normally expected to operate without profits.

The Dissent challenged the Majority's reliance upon the so-called post-strike losses since the record did not support a conclusion that "prospective post-strike losses increase in any simple way in direct proportion to the length of a strike"; that probably most prospective post-strike losses accrue immediately upon commencement of a strike and would not be greatly increased by a delay in settling the strike; and, because the "incidence and measurement [of post-strike losses] is a matter of great complexity and involves a considerable degree of speculation." In this connection the Dissent concluded that it was "surely significant that the participating carriers have never been able to agree among themselves on a valid measure of post-strike losses, so as to permit their direct compensation under the Mutual Aid Agreement".

Regarding the Majority's dismissal of member carriers' increased financial liability under the Agreement, the dissenting members of the Board agreed with Administrative Law Judge Present who had pointed out the fact that the Pact's provision for supplemental payments took no account of the current financial condition of the paying carriers and that the bulk of Mutual Aid payments since the 1969 amendments "took effect have been to otherwise highly profitable carriers from carriers who were currently either losing money or earning less than a reasonable return on investment". The Dissent then quoted the amounts assessed against Pan American under Mutual Aid as being more than the amount which the Board found would have been diverted from Pan American by virtue of the acquisition of Caribair Airlines by Eastern Airlines, which diversion the Board had held "showed so great a danger to [Pan American's] financial integrity as to require disapproval" of that acquisition. The dissenting members concluded that they thought "the price to those participating carriers already in financial difficulties is too high to be in the public interest".

The dissenting members concluded that the Majority had not adequately dealt with violations of the Railway Labor Act by carrier members occurring during strikes. The Majority had ignored evidence that the strike involving Northwest had been prolonged because that carrier had insisted "on including in the back-to-work agreement provisions which the unions contended would require them to ratify the carrier's Labor Act violations." The dissenting members stated that they felt it was "essential that mutual aid not be payable where a strike has resulted from a carrier's violation of the Railway Labor Act."

The Dissent criticized as "entirely unsatisfactory" the Majority's "attempt to dispose of the Northwest-BRAC [Railway Labor Act violations] incident in a footnote." The Dissent characterized as "wholly arbitrary" the Majority's "attempt to shrug off the violation even if it did prolong the strike."

The dissenting members concluded that the issue of the effect of Railway Labor Act violations upon the duration of the strike should be remanded for further hearing.

APPENDIX C

MUTUAL AID PACT PAYMENTS AND RECEIPTS, 1971-74

Carrier	Amount paid	Amount received	Net
United.....	\$48,911,884	0	-\$48,911,884
Eastern.....	24,961,842	\$1,402,548	-23,559,294
American.....	24,953,837	0	-24,953,837
Braniff.....	3,898,236	0	-3,898,236
Pan American.....	23,523,027	0	-23,523,027
TWA.....	825,962	64,230,092	+63,404,130
Continental.....	6,881,023	0	-6,881,023
Northwest.....	2,051,254	27,769,054	+25,717,800
Ozark.....	0	4,462,440	+4,462,440
National.....	0	30,984,090	+30,984,090
Air West.....	0	5,979,018	+5,979,018
Mohawk.....	0	159,253	+159,253

Source: CAB docket No. 9977.

Mutual Aid Pact payments and receipts

1971:

Paid by—

United.....	\$1,271,878.27
Eastern.....	12,434.19
American.....	13,888.72
Braniff.....	80,096.00
Pan American.....	252,201.00
TWA.....	35,962.00

Received by—

Northwest.....	1,248,452.00
TWA.....	150,000.00
Mohawk.....	15,809.91
Air West.....	252,201.00

See footnotes at end of table.

1972:

Paid by—	
Continental.....	1, 121, 806. 00
TWA.....	790, 000. 00
United.....	14, 478, 851. 00
American.....	3, 611, 671. 00
Eastern.....	4, 067, 072. 00
Braniff.....	729, 877. 00
Pan American.....	7, 449, 476. 00
Northwest.....	384, 687. 00
Received by—	
Air West.....	5, 725, 751. 00
Mohawk.....	143, 443. 00
Northwest.....	27, 769, 054. 00

Mutual Aid Pact payments and receipts

1973:

Paid by—	
Pan American.....	\$9, 716, 158
Braniff.....	1, 082, 647
United.....	19, 009, 860
American.....	9, 643, 192
Eastern.....	3, 628, 472
Braniff.....	1, 444, 764
Continental.....	2, 384, 129
Received by—	
Northwest.....	¹ (-2, 234, 002)
Ozark.....	4, 375, 899
Eastern.....	1, 395, 975
TWA.....	40, 286, 193

1974:

Paid by—	
Pan American.....	6, 105, 192
Continental.....	3, 375, 088
American.....	11, 685, 086
United.....	14, 151, 295
Eastern.....	17, 253, 864
Northwest.....	3, 917, 564
Received by—	
TWA.....	23, 793, 899
Ozark.....	86, 541
Eastern.....	6, 573
Northwest.....	¹ (-16, 995)
Continental.....	(-4, 151)
Air West.....	1, 066
Braniff.....	438, 263

¹ Overpayments returned by Northwest.

MUTUAL AID PACT RECEIPTS, 1958-70

A. TOTAL

Carrier	Windfall	Supplemental
Capital (1958).....	\$2,619,000	0
TWA (1958).....	2,372,000	0
Eastern (1958).....	1,060,000	0
American (1958/59).....	3,372,000	0
Eastern (1960).....	951,000	0
Northwest (1960/61).....	3,601,000	0
American (1961).....	1,059,000	0
Eastern (1961).....	198,000	0
Pan American (1961).....	121,000	0
TWA (1961).....	699,000	0
Eastern (1962).....	6,070,000	\$9,946,000
United (1963).....	81,000	0
Pan American (1964).....	118,000	25,000
Pan American (1965).....	2,301,000	1,135,000
Eastern (1966).....	1,305,000	6,362,000
Northwest (1966).....	1,258,000	1,134,000
TWA (1966).....	17,962,000	0
United (1966).....	17,943,000	0
American (1969).....	20,311,000	0
Pan American (1969).....	1,064,600	623,700
National (1970).....	14,641,300	13,344,200
Northwest (1970).....	17,322,000	29,946,000
TWA (1970).....	1,822,600	816,700
Mohawk (1970).....	400,000	4,707,000
Total, receipts.....	118,201,500	68,039,600
		186,241,100

B. TOTAL RECEIPTS (AND PAYMENTS) BY YEARS

1958.....	\$9,423,000
1959.....	
1960.....	951,000
1961.....	5,678,000
1962.....	16,016,000
1963.....	81,000
1964.....	143,000
1965.....	3,436,000
1966.....	45,964,000
1967.....	
1968.....	
1969.....	21,998,700
1970.....	82,999,800

Source: Carriers exhibits, CAB docket No. 9977.

APPENDIX D

AIR TRANSPORT STRIKES 1958-74—SUMMARY

Date	Number of years	Number of strikes	Total days	Average duration of strikes, (days)
Trunk lines:				
October 1958 to May 1961.....	2 yr, 7 mo.....	15	348	23.2
June 1962 to August 1969.....	7 yr, 2 mo.....	11	299	27.18
January 1970 to November 1974.....	4 yr, 11 mo.....	1 (5) ¹	(512)515	1 (102.4)73.57
Local service:				
November 1958 to April 1970.....	11 yr, 5 mo.....	9	140	15.5
November 1970 to April 1975.....	4 yr, 5 mo.....	4	469	117.25

¹ Of the 7 strikes against trunk line carriers since the latest mutual aid pact became operative in October 1969, 1 lasted 1 day and 1 lasted 2 days. The figures in parentheses show the length of strike without computing the effect of those 2 strikes.

LEGAL STRIKES ON DOMESTIC TRUNK CARRIERS IN THE AIR TRANSPORT INDUSTRY

Date	Airline	Union	Duration (days)	IAM members
Oct. 14, 1958 to Nov. 23, 1958.....	Capital.....	IAM ¹	37	2,474
Nov. 21, 1958 to Dec. 3, 1958.....	TWA.....	IAM ¹	13	6,317
Nov. 24, 1958 to Dec. 31, 1958.....	EAL.....	FEIA ¹	38	5,493
Do.....	EAL.....	IAM ¹	38	5,493
Do.....	American.....	ALPA ¹	24	18
Dec. 10, 1958 to Jan. 11, 1959.....	Pan Am.....	TWU	4	
July 15, 1958 to July 19, 1958.....	Northwest.....	IAM ¹	136	2,482
Oct. 11, 1960 to Feb. 24, 1961.....	Pan Am.....	FEIA ¹	7	
Feb. 17, 1961 to Feb. 23, 1961.....	American.....	FEIA ¹	7	18
Do.....	TWA.....	FEIA ¹	7	6,317
Do.....	EAL.....	FEIA ¹	7	5,493
Do.....	National.....	FEIA ¹	7	1,200
Do.....	Western Air Lines.....	FEIA	7	
May 2, 1961 to May 7, 1961.....	National.....	IAM	6	1,200
Sept. 26, 1960 to Oct. 6, 1960.....	Braniff.....	BRAC ¹	10	1,119
June 23, 1962 to September 1962.....	EAL.....	FEIA ¹	30	5,493
Feb. 15, 1964 to Feb. 16, 1964.....	National.....	ALEA	2	1,054
Mar. 31, 1965 to Apr. 10, 1965.....	Pan Am.....	ALPA ¹	11	
July 18, 1966 to Aug. 19, 1966.....	EAL.....	IAM ¹	43	8,776
Do.....	National.....	IAM ¹	43	1,150
Do.....	Northwest.....	IAM ¹	43	3,090
Do.....	TWA.....	IAM ¹	43	13,258
Do.....	United.....	IAM ¹	43	16,730
Feb. 26, 1969 to Mar. 20, 1969.....	American.....	TWU ¹	20	16
July 29, 1969 to Aug. 14, 1969.....	Western.....	IBT	17	
Aug. 8, 1969 to Aug. 11, 1969.....	Pan Am.....	IBT ¹	4	
Jan. 29, 1970 to May 18, 1970.....	National.....	ALEA ¹	107	1,300
July 7, 1970 to Dec. 14, 1970.....	Northwest.....	BRAC ¹	159	3,612
Oct. 20, 1970.....	TWA.....	TWU ¹	1	15,500
June 30, 1972 to Oct. 2, 1972.....	Northwest.....	ALPA ¹	95	2,539
Nov. 5, 1973 to Dec. 18, 1973.....	TWA.....	ALSSA ¹	44	11,900
July 15, 1974 to Nov. 1, 1974.....	National.....	IAM ¹	107	1,580
Aug. 21, 1974 to Aug. 22, 1974.....	Braniff.....	ALPA ¹	2	1,581

¹ Carriers belonging to the Mutual Aid Pact.

Source: Annual Report of the National Mediation Board.

LEGAL STRIKES ON LOCAL SERVICE CARRIERS IN THE AIR TRANSPORT INDUSTRY

Date	Airline	Union	Duration (days)	IAM members
Nov. 21, 1958 to Nov. 24, 1958.....	West Coast.....	IAM	4	145
June 6, 1959 to June 8, 1959.....	Pacific.....	ALDA	3	170
Nov. 24, 1959 to Dec. 4, 1959.....	Lake Central.....	ALSSA	11	235
Mar. 17, 1960 to Apr. 3, 1960.....	Mohawk.....	ALEA	18	10
Nov. 6, 1965 to Nov. 13, 1965.....	Pacific Airlines.....	IAM	8	10
Dec. 9, 1966 to Jan. 30, 1967.....	Mohawk.....	IAM	53	479
July 3, 1967 to July 10, 1967.....	West Coast Airlines.....	ALEA	8	209
July 21, 1969 to Aug. 18, 1969.....	Piedmont.....	ALPA	29	
Apr. 19, 1970 to Apr. 24, 1970.....	Ozark.....	AMFA	6	850
Nov. 12, 1970 to Apr. 14, 1971.....	Mohawk.....	ALPA ¹	154	500
Dec. 15, 1971 to Apr. 10, 1972.....	Hughes Aircraft.....	AMFA ¹	116	40
Apr. 19, 1973 to July 2, 1973.....	Ozark.....	AMFA ¹	74	1,083
Dec. 1, 1974 to Apr. 4, 1975.....	TXI.....	ALEA ¹	125	397

¹ Carriers belonging to the mutual aid pact.

Source: Annual Report of the National Mediation Board.

Senator GRAVEL. The next witness is Mr. Allen W. McCauley, general chairman of the Northwest Orient Airlines System Board, Brotherhood of Railway & Steamship Clerks.

STATEMENT OF ALLEN W. McCAULEY, GENERAL CHAIRMAN, NORTHWEST ORIENT AIRLINES SYSTEM BOARD, BROTHERHOOD OF RAILWAY & STEAMSHIP CLERKS, FREIGHT HANDLERS, EXPRESS & STATION EMPLOYEES, WASHINGTON, D.C.; ACCOMPANIED BY JACK REESE, GENERAL CHAIRMAN OF THE WESTERN AIRLINES SYSTEM BOARD, LOS ANGELES, CALIF.

Mr. McCAULEY. Mr. Chairman and members of the subcommittee, my name is Allen W. McCauley. I am general chairman of the Northwest Orient Airlines System Board No. 430 of the Brotherhood of Railway, Airline & Steamship Clerks, Freight Handlers, Express and Station Employees (BRAC). I am accompanied by Jack Reese, general chairman of the Western Airlines System Board No. 451 for BRAC. We appear here, today, on behalf of and speaking for our international union which represents some 300,000 employees in the transportation industry.

I appear here to support S. 306. I speak from the experience of a labor official who has been involved in contract negotiations for nearly 20 years.

The mutual aid pact existing in the airline industry has destroyed collective bargaining as we have grown to know it, not only with its impact on employees, but also with its attendant impact on the public and the taxpayer.

It was conceived as a method of reducing strikes; instead it has created great instability in the entire airline industry. It has caused an increase not only in the number of strikes but has increased the length of those strikes from 15.1 days before its existence to 102 days.

Normally a strike is the last resort in collective bargaining procedures. But when a strike does occur, the economic pressures exerted provide the financial incentive to resolve differences since neither party receives income of any significance during such action.

The airline mutual aid pact destroys that incentive for the company. When they know they are not going to lose money during a strike, or as is true in the airlines, they know they are going to make a profit, their bargaining attitude swiftly becomes "take it or leave it". An example would be 1970. Northwest Airlines incurred a lengthy strike and was one of a few airlines to show a profit that year.

Airline workers have a choice between accepting unsatisfactory settlements or long strikes with the odds stacked against them. For the public, the unwillingness of airline management to resolve disputes results in lengthy disruptions in airline services. This loss of service can have a devastating effect on the economic life of communities dependent to a great extent on one airline.

Some examples of the loss of incentive on the airline managements are:

In 1970, Northwest Airlines was struck for 5½ months, but showed a profit that year of \$44.5 million, having received \$47 million in mutual aid payments; 87 percent of that figure was contributed by airlines which suffered financial losses.

In 1972, Northwest was again struck for 95 days. They received \$43.6 million in mutual aid and showed a profit for the year of \$17.3 million.

TWA, after long and meaningless negotiation, was struck by flight attendants in 1973. During the first 4 weeks of that strike, TWA received more than \$2 million a day in mutual aid.

I have in my statement Mr. Tillinghast's statement, and I won't repeat that.

On the other hand, much has been said of the strike benefits airline workers receive which allegedly put them in the same position as airlines who are members of the pact. This comparison is ridiculous. Four unions on the airlines pay no strike benefits. BRAC's constitution provides for \$15 per week after 2 weeks. The International Association of Machinists pays \$40 per week after 2 weeks. These benefits ran out on the Northwest Airline members in 1970, 2 months before the strike ended. You can readily see no employee could ever make a profit from strike benefits. The same cannot be said for management.

It is ironic that, to add insult to injury, in 1971, the taxpayer, which includes the employees the pact is used against, was asked to share in the cost of this weapon. At that time the local service carriers, all subsidized by the taxpayer, joined in the pact.

It is further ironic that when Pan American Airlines announced its withdrawal from the pact recently a spokesman for this financially troubled airline disclosed that it had paid out approximately \$50.9 million to other airlines in the pact while receiving only \$5.3 million in return, a deficit of \$45.6 million. Pan Am is now seeking from Congress \$40 million in tax relief.

I recently negotiated an agreement with Northwest Airlines which, considering the increased cost of living over the last 2 years and the projected increase in the Consumer Price Index this year, leaves my membership at least 15 percent short of keeping up with inflation.

With the unemployment situation that exists, the fact that Northwest Airlines forecasts a loss the first part of this year, and the temptation that must exist to tap that mutual aid fund once again, I felt I had no choice but to accept that substandard agreement rather than subject my membership to even the remote possibility of a strike the possibility of which is, after all, the only leverage employees ordinarily have.

Consider if you will a brief review of labor disputes within the airline industry. During the period 1950-58, the year in which the mutual aid pact was formed, the average duration of strikes against commercial airlines was just over 15 days. This was in spite of the fact that it was a period when strikes in industry in general were of relative long duration.

Under the original 1958 agreement the average strike duration increased to 23 days. Attached for your information is a history outline of the mutual aid pact.

[The attachment follows:]

HISTORY OF THE MUTUAL AID PACT

October 30, 1958.—Mutual Aid Agreement adopted by the six largest carriers whereby financial assistance would be provided to any member airline whose flight operations were shut down by certain types of strikes such as a strike called to enforce demands in excess of recommendations of a Presidential Emergency

Board. This support took the form of repayment by the non struck members of any increase in revenues they received as a windfall from the strike.

1959.—Removal of the requirement that the strike be called to enforce demands in excess of the recommendations of a Presidential Emergency Board.

1962.—Introduction of supplemental payments to the struck airline in the event the windfall payments were less than 25% of the airline's previous year's operating expenses. Payments by the non struck airlines would be limited to 0.5% of their previous year's operating revenues.

1969.—Supplemental payments increased to 50% of the struck airlines normal operating expenses during the first two weeks of a strike, graduated downward to 35% from the fifth week thru the conclusion of the strike. The maximum payment obligation was increased to 1% of their previous year's operating revenue.

1970.—Local service carriers admitted to the Mutual Aid Pact.

1972.—CAB Administrative Law Judge Arthur Present issued his decision recommending continued approval of the Pact but disapproval of the 1969 and 1970 amendments.

After the introduction of supplemental payments in 1962, the average duration increased to 29 days.

Since the supplemental payments were increased to as high as 50 percent of the previous year's operating expense in 1969 and the introduction of supplemental carriers in 1970, there have been nine strikes involving payments of Mutual Aid funds. While the carriers reaped the benefits of the pact, the public has been denied service for over 900 days with a staggering average strike duration of 102 days.

Has the Mutual Aid Pact achieved its objectives as stated by its members? The record above speaks for itself. It has been a great weapon for employers. The victims have been the employees and the public.

Thank you for the chance to appear and the opportunity to testify.

Senator GRAVEL. Did you have a statement to present as well?

Mr. REESE. No.

Senator GRAVEL. When you referred to your strike against Northwest in 1970, you said that airline workers have a choice between accepting unsatisfactory settlements or long strikes with the odds stacked against them.

Let me read you a statement from the ATA on that issue, which is Northwest's description of it.

The 160-day strike by the Brotherhood of Railway and Airline Clerks against Northwest in 1970 commenced after the union flatly rejected an offer which would have increased wages by 33 percent plus improved benefits over a 3 year contract term. The union's demands on the eve of the strike if accepted by the company would have increased its labor costs by 55 percent for an unspecified term.

After a 5-month strike the employees won substantial wages and benefit increases over the contract which raised the company's labor costs for this group of employees by 43 percent over a 3 year period.

It was a heavy burden, but far lighter than accepting the union's ultimatum on the eve of the strike would have imposed.

First, is that a correct characterization of those events and second, if it is, do you not feel that a 43-percent wage and benefit increase over 3 years would indicate that the union certainly did have an opportunity to bargain effectively with Northwest despite the Mutual Aid Pact?

Mr. McCauley. Well, I won't agree entirely with a lot of their statements.

The 33-percent increase sounds like a lot of increase, but we are talking about here a 39-month agreement.

Senator GRAVEL. They said 43 percent over the 3-year period.

Mr. McCauley. We got a 39-percent wage increase over the period. Every other contract in the airline industry, and this was the tail end of the whole bunch, had gotten percentage increases, because we had been down for the years previous to that so far. The entire industry had increased their wage benefits up to 42 percent just in wages. The lowest settlements that we could find anywhere were 33 percent for a 3-year term.

So we were simply asking to be brought up to the rest of the industry, and that was all. We don't feel there was any unreasonable demand to be paid what the people working alongside you for another carrier were getting.

Senator Gravel. Well, then, the second part of my question was, do you feel that a 43-percent wage and benefit increase over a 3-year period would indicate that you certainly have the opportunity to bargain effectively despite the Mutual Aid Pact?

Mr. McCauley. The eventual settlement of that strike was a reasonable settlement, but I would like to point out that it took a 160-day strike to get it. It wasn't done at the bargaining table. This was not offered to us prior to the strike, sir.

Senator Gravel. Did that contract go into effect in 1971, then?

Mr. McCauley. No. It was retroactive to August of 1969.

Senator Gravel. I see.

Mr. McCauley. We have had two contracts since that time. One we have just concluded. The one prior to this, we were nailed down pretty well by the Cost of Living Council to the 5.5 percent for 2 years.

Senator Gravel. You also stated in your text that in 1970, during which Northwest suffered a strike, it reported that the profit of \$44.5 million, after receiving \$47 million in Mutual Aid payments—are you aware of the fact that based on the record the CAB estimated that Northwest suffered total strike losses of \$87.5 million in 1970 as the result of the strike?

Mr. McCauley. I am aware of that this morning. Their figures don't lie, but they can be shown to prove most anything they want, if you get into speculative profits and all that.

Senator Gravel. If Congress determines to legally prohibit this type of self-help, would you be in favor of Congress likewise prohibiting the unions from using dues to pay a striker benefits?

Mr. McCauley. No, sir. I don't think there is any parallel between the payment of something that is making a considerable profit, of \$47 million, and trying to give a man \$15 a week to feed his family with, money which he has already put in.

Senator Gravel. Are the strike benefits made up of the dues, or is there a special assessment?

Mr. McCauley. No. It is made up of dues. It is part of the dues. We don't have a strike fund as such in our organization. Any strike benefits are paid out of the general fund.

Senator Gravel. And the dues are tax-deductible, are they not?

Mr. McCauley. For those who would itemize their deductions. For those who do not, and take a standard deduction, they are not.

Senator Gravel. But legally they are deductible. The question was raised this morning that the implication was that the dues were before taxes and—

Mr. McCauley. It is possible to deduct, yes.

Senator GRAVEL. Well, thank you very much, Mr. McCauley, and thank you, Mr. Reese.

Mr. McCauley. Thank you.

Senator GRAVEL. Mr. William G. Lindner, International Vice President, Transport Workers Union of America?

STATEMENT OF WILLIAM G. LINDNER, INTERNATIONAL VICE PRESIDENT, TRANSPORT WORKERS UNION OF AMERICA, AFL-CIO, NEW YORK, N.Y., ACCOMPANIED BY ASHER W. SCHWARTZ, COUNSEL

Mr. LINDNER. Mr. Chairman and members of the committee: My name is William G. Lindner. I am international vice president of the Transport Workers Union of America, AFL-CIO and Director of its Air Transport Division with offices at 1980 Broadway, New York, N.Y. 10023.

By way of background I was first brought onto the staff of the Transport Workers Union of America, AFL-CIO, Air Transport Division in December 1951, long before the advent of the Mutual Aid Pact, and have been continuously employed full time ever since. I was first an international representative, then in 1966 I was elected an international vice president and in 1973 I was named director of the Air Transport Division of Transport Workers Union of America, AFL-CIO.

During the course of these past 23 years I was primarily responsible for negotiating literally hundreds of new labor agreements. For the information of the members of the committee, Transport Workers Union of America, AFL-CIO has currently in force 69 collective bargaining agreements in the air transport industry.

The Transport Workers Union of America, AFL-CIO is a labor organization representing, at this time, more than 50,000 airline workers of whom over 20,000 are employed as flight attendants on American, Eastern, TWA and Pan Am, mechanics, flight dispatchers, ramp servicemen and the other 30,000 in numerous other ground classifications as determined and certified by the National Mediation Board. I appear here today on behalf of our more than 50,000 airline members and in full support of S. 306, a bill to terminate the Airlines Mutual Aid Agreement—(MAP)—pact—as introduced by Senator Gravel and cosponsored by, at last count, nine other U.S. Senators.

S. 306 is a very simple legislative statement. It finds the airlines mutual aid agreement adverse to the public interest just as Congress has found secondary boycotts and lockouts to contribute to industrial instability and to violate the true spirit of collective bargaining.

We support fully the statement by AFL-CIO, as presented here earlier this morning, regarding the derogating effect on the free collective bargaining process resulting from the mutual aid pact.

The most recent amendments to the pact in 1969 and 1970 have converted it from a defense mechanism for carriers faced with an unavoidable strike despite reasonable labor relations policies into an unprincipled program of collective subsidy for would-be union busters and financial operators, with no concern for the industrial health of the airline industry or for fair dealing with its employees.

CAB Administrative Law Judge Arthur S. Present's finding in the most recent review of the pact clearly established that the pact does assure struck carriers a profit during the strike. I believe that the effect this has on management's collective bargaining attitude and policy is best illustrated by the following:

TWA's chairman, Charles Ti-linghast, is quoted in the November 8, 1973, Honolulu Advertiser, in the midst of our 44-day strike with TWA, as saying: "TWA's profits for 1973 would be better off if the strike were not settled before yearend. Should the strike end now, mutual aid income would end and all expenses would resume." This was said when TWA was offering its flight attendants a token 3-percent wage increase when the standard in the industry exceeded 10 percent.

The guarantee of profit during a strike coupled with AIRCON pressure and encouragement combine to make a reasonable contract settlement seem foolish to an adventurous or hard-pressed management. Given a choice of an off-season strike or a reasonable settlement, management will obviously find it difficult to live up to its obligation under the Railway Labor Act "Section 2, First" or to make and maintain collective bargaining agreements.

This situation then would, we think, be intolerable even if we were here concerned with the conduct of a free enterprise. The fact is that the scheduled airline industry is more nearly a public utility monopoly, providing a vital public service and utilizing numerous tax-supported facilities and services.

Obviously the millions of dollars automatically transferred from carrier to carrier through the Mutual Aid Pact in the final analysis will be paid for by the traveling public and the taxpayers, and no one in management or government can control or be held accountable for this massive drain on a carrier's resources.

This is not free or private enterprise at its best, rather it represents collective private control of a vital natural resource in the complete disregard of the national interest and labor policy. That should be "national resource." It is a typographical error.

Mr. Chairman, the other witnesses before you today have very succinctly documented the horrendous increase in the length of strikes since the 1969 amendments to the pact. It is our considered opinion these increases in strike durations are due largely to the Mutual Aid Pact.

The Transport Workers Union of America has no strike fund nor does it anticipate establishing a strike fund to pay benefits to those members who, because of the pact, find themselves out on the street. Nor does Transport Workers Union of America, AFL-CIO receive contributions of strike benefits from other labor organizations.

We do however suggest to this Committee that unless the pact is outlawed, labor relations of the air transport industry in the future will degenerate into jungle warfare and industrywide strikes. I need not point out to you that strikers who are out there walking a picket line are not going to refrain from picketing other airline pact members any more than our flight attendants did during their strike against TWA in 1973-74.

The continuation of the Mutual Aid Pact among the carriers will inevitably force all unions representing employees on all carriers to join forces in fighting this unfair and illegitimate collective bargaining

device; for the first time this country will experience a nationwide shutdown of the airline industry.

Mr. Chairman, in the interest of a return to a sound balanced and free arms-length collective bargaining process in the air transport industry on behalf of the Transport Workers Union of America, AFL-CIO, I wholeheartedly urge the adoption of S. 306.

Thank you for this opportunity to appear before you today to testify in support of S. 306.

I would like to enlarge in finishing on one of the references made in my formal statement.

Getting back to the strike on TWA, which was our perhaps most vivid experience with the effect of the pact, as indicated in the statement, at the time Mr. Tillinghast made his often quoted statement in the Honolulu papers, we had just begun the strike. I think it was 2 or 3 days after it had been undertaken, and the offer the company had made us at that time, before the strike and after the first few days of the strike, was actually a little less than 3 percent.

This offer came after some 14 or 15 months of mediation, and was not to be made fully retroactive. In fact, it was not to be made retroactive at all. Furthermore, it did not apply to all of the employees. It applied to most of them. Some employees would not have realized a dime out of that settlement if it were accepted.

Furthermore, to make matters more interesting, the offer was conditioned upon the union accepting a series of company demands—

Senator GRAVEL. A series of what?

Mr. LINDNER. A series of company demands that would turn back the clock many years, including surrender of jurisdiction over a certain part of the work.

In fact, we really had an ultimatum. There was really no decision for the union to make. No self-respecting organization would have accepted the company offer without writing itself out of business and dissolving.

So we were confronted with a strike that was forced upon us, and I think this is the effect that has to be appreciated and understood if you are to get the full impact of what this pact does.

To deal with some of the questions that arose in some of the previous testimony, for example, even a union that does provide some degree of strike benefit usually has some conditions on it. It is delayed, the payment comes long after the strike is begun.

In some cases, probably by design, it is long after most strikes would normally be resolved. In many cases, it is subject to a vote or decision by the people who are to make the payments, and of course in many cases there are no benefits at all.

On the other hand, the funds that are now available to a struck carrier are not only available immediately and assure a profit, but they can be calculated in advance. They are based upon the economic performance of the other carriers in the prior year, so that a smart schemer at the bargaining table, or even behind the bargaining table somewhere, can sit down and calculate what they can expect to receive in Mutual Aid after the strike begins, within days after it begins.

This certainly has an effect on their thinking. This pact has in effect created another serious consideration that every negotiator for

a union must take into account. It isn't just a matter of looking at the reasonableness of your demands, the reasonableness of the company's counterdemands, the attitudes of your people, the needs of your people, what is happening in the economic world around you, but you have to look over your shoulder at what kind of mischief this company can get into with Mutual Aid which will influence their conduct across the table without any reference to what we are doing in the contract negotiations.

In fact, it seems to me that this pact is a playground for mischief between carriers, where one carrier can in effect bring their competitors in by a device of conjured-up deadlock in negotiations.

In essence, any union that faces a strike showdown, and of course we have other complicating factors in the airline industry, where no strike ever takes place any more without the full process of mediation—we have the added complicating factor that mediation can go on for many, many months, and when the opportunity to force a showdown finally arrives, if that happens to be in the carrier's known slack season, God help the union in that situation, because the carrier is better off with a strike, regardless of what is on the table.

Senator GRAVEL. Now, from what you have said there, and in your statement and in the statements of others, it appears that most of the difficulties arose after the change in the pact in 1969.

For example, that is the period of time where the strikes got longer and permitted this sort of situation to occur that you just referred to?

Mr. LINDNER. That is, I would say, essentially true, but I am not sure you can answer that question fully, because like anything else, when a new rule is developed in any field of activity, there is a certain amount of time that goes by before people begin to get wise as to what can be done with it, all the ramifications and how it is interpreted, and I think part of the delayed impact from some of the earlier changes was due to that learning curve, or lack of familiarity.

Certainly the worst changes came most recently.

Senator CANNON. If Congress were to take the position that it did not want to prohibit the pact, but were to roll back and get at the problem that you may have heard me discuss this morning with counsel for the AFL-CIO, the problem of eliminating any possibility of a carrier being able to anywhere near break even, or, as you referred to it, eliminating the possibility of them taking care of a slack season because they might be able to do better otherwise, do you think that would solve the basic part of the problem?

Mr. LINDNER. Well, it seems to me that the initial foundation for the pact was to a certain degree legitimate, if you accept the premise that so-called private carriers should be allowed to pool their revenues before taxes, and as it may affect the incomes of their stockholders without the approval of the stockholders, and all these other peripheral questions that I think you have to really look at.

But if you accept that premise that the combination and the source of the funds is beyond question, I would think that the initial premise of predicating benefits under the pact on the basis of an illegal strike or the rejection of an Emergency Board recommendation was about as far as you could legitimately go.

To write rules that would prevent a profit during a strike would be, I would think, very difficult, because as the language of the pact now reads, the income to the struck carrier is predicated on their prior

year's economic performance. So it is a matter of record when the strike takes place, so to speak.

But the economic performance, as we can certainly realize today, the economic performance of last year may have no bearing at all on what is happening today.

Certainly if there is going to be any realistic gage, you would have to find some way of gearing the benefit to the immediate prestrike period performance or profits, if any.

I don't know how, really, how a law could be written that would be that flexible and still effective.

Senator CANNON. I am sure, and I think you heard this referred to this morning, that if the committee recommends that the pact be terminated, I am sure that there would be a countervailing move made in the Senate to impose a similar type of situation or prohibition against self-help of the unions in that type of a general situation.

Mr. LINDNER. Well, as some of the previous witnesses have stated, we don't, from labor, don't see the comparison between Mutual Aid Pact benefits and strike benefits which are in essence contributed by the workers themselves for their own benefit. I know the point was made, "Well, it comes out that those are tax-deductible dues," but that is not true in every case.

In the higher paid categories, people are probably homeowners, and they can use the long form to file the taxes. There are an awful lot of people, and I have no record, but I would guess half of the airline workers are not in that category, and would not be able to deduct their dues. These are the people who are most severely hurt by the long-term strikes.

They have nothing to fall back on in most cases, and they are just attempting to cope with the rising cost of living and are getting by from hand to mouth.

I don't believe that any justification can be shown for equating the outlawing of these combined mutual aid funds with the strike benefit paid by the union from resources paid by the member to the union, from resources that come from the very same member.

In this case, we are talking about a group of workers pooling their money to take care of themselves. In the case of the Mutual Aid Pact, we are talking about one corporation committing their treasury to another corporation, and the philosophy has always been that these are private carriers, and are supposed to stand on their own, and that they are not to be treated as a group.

Senator CANNON. Of course, you heard the reference to the Library of Congress study this morning, that pointed out that the AFL-CIO did precisely that in the situation of the California farmworkers.

Mr. LINDNER. Well, again as Mr. Beimiller stated, that was a very, very unusual situation. Frankly, it would seem to me that it not only was unusual, it was deplorable that the labor movement would have to take such drastic steps to fill the gap left by inadequate legislation.

If the farmworkers were covered by labor legislation like every other worker has been, that dispute would never have reached the state it did, and would have been resolved by procedures under law.

The fact that the Federation felt compelled to step in and lend assistance, I think, is hardly a kind of incident to base legislation on other than perhaps legislation in the agricultural field.

Senator CANNON. Well, thank you very much, Mr. Lindner.

The next witness is Mr. Marvin L. Griswold, director, National Airlines Division, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers Union of America.

STATEMENT OF MARVIN L. GRISWOLD, DIRECTOR, NATIONAL AIRLINES DIVISION, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN AND HELPERS UNION OF AMERICA; ACCOMPANIED BY NORMAN WEINTRAUB, DIRECTOR OF RESEARCH; AND ANGELO ARCADIPANE, LEGAL COUNSEL

Mr. GRISWOLD. Mr. Chairman, my name is Marvin L. Griswold, and accompanying me today is Norm Weintraub, the director of research for our international union; and also accompanying me is Angelo Arcadipane, our legal counsel.

I am honored to address you today on behalf of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America and its more than 2 million members who span nearly all walks of life. As many of you I am sure know, the teamsters is the largest international union in the world. While the airline division is still in its infancy, we represent approximately 6,000 employees of Pan American World Airways, some 4,000 employees of Braniff, and 2,000 Western Airlines employees, as well as employees of most of the major supplemental carriers.

As a representative of this diverse group of working citizens, I welcome the opportunity to speak out against the airline Mutual Aid Agreement and to express firm support for S. 306.

Naturally, as a labor organization, we are quite concerned by the effect of the pact in upsetting the balance of bargaining power in favor of management. But more broadly, we view the Mutual Aid Agreement as an instrument which works against the public interest in many other ways, one of which is to increase both the incidents and length of work stoppages and thus, in turn, service disruptions.

HISTORY OF THE MUTUAL AID AGREEMENT

The CAB, in passing upon the propriety of the airline Mutual Aid Agreement, has, we think, displayed a partisan disposition to favor the special interests of the pact's participants over that of the airline employee, and, indeed, the traveling public.

The Board was initially called upon to determine whether or not the pact was in the public interest in 1959 and has since been called upon to reevaluate it at frequent intervals. In each instance, the Board has acceded to virtually every amendment to the pact proposed by its participants, all of which have had the effect of expanding its coverage and increasing member contributions.

In 1972, CAB Administrative Law Judge Arthur S. Present decided that the time had come to place a lid on the pact, concluding after extensive hearings, that the 1969 and 1970 amendments were wholly abhorrent to the public interest. Citing testimony from the labor relations officers of National and Northwest as well as data collected from member and nonmember carriers, Judge Present found no merit in the assertion by members that without the pact unions would make excessive, devastating demands. Furthermore, pointing to the

increase of work stoppages after implementation of the pact's amendments, he concluded that the amendments would generate a greater willingness on the part of its members to take a strike rather than bargain in good faith. This conclusion was buttressed by the startling revelation that in 1971 Mohawk Airlines, while on strike and after suspending service, made a net profit of \$29,000 because of receipts from the pact. Finally, Judge Present observed, "the financial results of the trunkline carriers in the last several years indicate they can ill afford such a drain on their resources." In other words, he not only found that the agreement was unnecessary and disruptive, but an unaffordable cost as well.

I think that's probably more true than ever today.

Nonetheless, the CAB rejected Judge Present's decision by a 3-to-2 margin and approved the 1969 and 1970 amendments. The Board's opinion as we read it ignored Judge Present's detailed factual refutation of the carriers' arguments. Instead, the Board relied in support of its action upon the airlines' speculative and abstract justifications for the agreement; namely, that it would reduce excessive union bargaining demands. Members Minetti and Murphy, in vigorous dissent, observed:

We regret that the Board's majority opinion here goes as far as it does in seeming to identify the public interest with strengthening the bargaining position of carrier management in airline labor disputes, which is the evident purpose of the mutual aid agreement. Such an air of partisanship between management and labor by a regulatory agency is antithetical to the national labor policy and should be strictly avoided.

This evident partisanship is indeed difficult to comprehend in view of the Board's own public expressions acknowledging a lack of expertise in the labor field.

They have taken this position time after time in matters involving employee protective provisions in merger situations.

Thirty-nine years ago, the Congress deemed it appropriate to place the airlines under the jurisdiction of the Railway Labor Act. Among the stated purposes of the act are to "avoid any interruption to commerce or to the operation of any carrier" and "to provide for the prompt and orderly settlement of all disputes" between labor and management.

The public need for reliable, uninterrupted service, particularly in remote areas receiving service from a limited number of carriers, make these purposes readily understandable. The major airlines, through the Mutual Aid Pact, and the CAB, by its repeated approval of the pact, have to a great extent undermined these commendable purposes.

In the opinion of Judge Present, the pact as amended, guarantees that member carriers will reap rewards from a strike. According to his calculations, during a strike a carrier can cut its operating expenses to 29.2 percent of normal. Since the supplemental payments now amount to between 35 and 50 percent of these expenses, a struck carrier can anticipate a gain of between 6 and 21 percent.

Several airlines already have reaped profits from the pact while on strike. For example, Mohawk Airlines made a net profit of \$29,000 in the first quarter of 1971 despite a strike by the Air Lines Pilots' Association, it received mutual assistance payments of \$6 million. TWA cut by half its anticipated losses during a 2-day strike in 1970. National, during a 4-month strike by the Air Line Employees Asso-

ciation, received \$27,985,000 in mutual aid payments, realizing a net income of \$810,000. Finally, Northwest, during a 5-month strike by the Brotherhood of Railway and Airline Clerks, made a net profit of \$17.9 million after receiving \$47,287,000 in mutual aid payments.

Great insight is scarcely required to see that the management of an airline may well relish a strike, secure in the knowledge that financial assistance from the pact will cut normal losses or indeed provide a neat profit.

An examination of the history of work stoppages in the airlines industry also convincingly demonstrates that the pact has exacerbated labor management relations and dramatically increased the duration of strikes. Because of its withdrawal from the pact between December 1961 and November 1969, the history of National's labor relations is particularly telling. During this 8-year hiatus, National's relationship with the Air Line Employees Association was nearly perfect, with the exception of one, 2-day strike. Within 2 short months after it rejoined the pact in 1969, the ALEA employees were placed on strike for 126 days. Similarly, in the 8 years between 1961 and 1969, the members of the International Association of Machinists were on strike against National for a total of 48 days. Last year an IAM-National strike lasted 109 days. Overall, during the 5 years since it rejoined the pact, the length of work stoppages at National exceeded stoppages during its 8 years of nonmembership by nearly 500 percent.

Ozark and Continental have had similar experiences. In 1970, before Ozark joined the pact, a dispute with the Aircraft Mechanics Fraternal Association lasted 7 days. In 1974, when Ozark was a pact member, a similar dispute with AMFA resulted in a 74-day work stoppage. During the 78-month period between April 1960, when it joined the pact, and December 1966, when it withdrew, Continental was on strike for 103 days. For the 3 years between December 1966, and November 1969, when it was not a member of the pact, no reported strikes occurred.

In general, it is a well known statistic that during the 8 years prior to the execution of the original agreement, 38 strikes occurred among the participants averaging 15.1 days each. During the first 12 years of the operation of the agreement, there were 62 strikes averaging 35.5 days each.

To view the above statistics as merely coincidental is in our opinion myopic.

As previously mentioned, the purported purpose of the pact is to prevent unions from making unreasonable bargaining position demands. In its 1973 approval of the pact, the Board concluded that in the absence of mutual assistance:

A carrier might be forced to accept demands which, in the long run could have . . . serious economic consequences for the carrier.

It cannot be too forcefully emphasized that this speculative conclusion has never been documented. By contrast, the "long run . . . serious economic consequences" of mutual assistance payments by distressed member carriers is both real and readily supportable.

Thus, between 1958 and mid-1971, pact members paid a total of \$187 million for the support of nonoperating members, an average of \$13.3 million paid each year by the operating carriers. In the last 3½ years the amounts paid have totaled approximately \$140 million or

more than \$46 million annually, a 350-percent increase over the 1958-71 period.

In these hard times, we believe that no carrier can afford such extraordinary costs with no proven benefit. But the experience of one pact member, Pan American, whose some 6,000 clerical and related employees are represented by the Teamsters, causes us particular concern. The Senate and this committee is well aware of the plight of Pan American. It has not only urged the Congress for emergency relief but, in addition, arguing that it was imperative to cut costs, in recent months it has filed numerous applications with the CAB requesting the suspension of service to various points on its route system. At the same time, Pan American has embarked upon an "austerity program" which, together with its suspensions of service, has resulted in the layoff of thousands of employees and the disruption of many local economies. To take but one example, 2 weeks ago on April 9, 1975, Pan American suspended virtually all service to the Caribbean after claiming to the CAB that it was losing \$23 million on these routes.

Our organization, along with the Commonwealth of Puerto Rico, the city of San Juan, the State of Maryland, and a host of other labor and civic parties vigorously protested these suspensions because of the tremendous damage and disruption the suspensions would bring to the affected employees and economies.

The Commonwealth of Puerto Rico pointed out, among other things, that the suspensions would reduce the tourist trade substantially in an economy already suffering from staggering unemployment, and that they would reduce the competitive, price-restraining pressures in the air carrier market and, in turn, deprive even more Puerto Ricans of access to a vital link with the mainland. For our part, we endeavored to show the Board that the suspensions would result directly in the layoff of close to 250 members in Puerto Rico as well as untold number in New York, Philadelphia, Baltimore and other cities. Rejecting all requests for a hearing, the Board summarily approved the suspensions, stating:

There is no prospect for improved results for PAA in the near term, and PAA's current financial posture will not allow it to absorb these losses—\$23 million—for an additional period. Clearly, our failure to suspend immediately could seriously impair the carrier's other attempts to improve its condition and risks the termination of all of PAA's services.

Thus employees, the traveling public, and numerous local economies have been sacrificed to save Pan American \$23 million.

During the years 1970 through 1974, under the CAB's eyes, Pan American paid mutual aid contributions of nearly \$36 million. And with all its suspensions, and all its economy measures, including requests that employees take reductions in wages, it is still a contributing member of the pact. We can see no justification for this incongruity.

Since the enactment of the Wagner Act and the Railway Labor Act, employees in this country have been guaranteed by Congress the right to organize and engage in concerted activity for their own betterment. Recent events in the airlines industry draw into question whether these rights will remain viable if the Mutual Aid Pact continues in existence. Since the labor organizations which were directly involved in these events are likely to treat this subject at length, I will be brief.

When the Mutual Aid Pact was first formulated, its noble purpose, we were told, was to protect carriers against illegal union strikes. Whatever the truth may have been at that time, it is far from the truth today. In 1970, for example, Northwest was struck by the Brotherhood of Railway and Airline Clerks. During the course of that strike, Northwest made certain offers to striking employees in return for their abandonment of the union. This conduct was found to be a violation of the Railway Labor Act by a Federal district court in Minneapolis. This was the same strike for which Northwest received \$47,287,000 in mutual assistance payments, making a profit of \$17.9 million. A similar situation occurred during a strike against Air West in 1973. The pact would thus appear to place a premium on carrier conduct designed to deprive employees of their protected rights.

I would like to conclude by saying that we feel sure from our experience in facing the management of pact members across the bargaining table and from our studies, that the Mutual Aid Pact severely undermines the intent of Congress in passing the Railway Labor Act and the Federal Aviation Act. While the failure of a carrier to bargain in good faith in accordance with the mandates of the Railway Labor Act is difficult to prove, we know that it happens, and we know that it results in large part from the Mutual Aid Pact. Because of the evident predisposition of the CAB, and the limited role of the courts in reviewing the Board's action, efforts to undo the pact in these forums have failed. There remains only the alternatives of combating the pact by equal economic force or the enactment of S. 306. The International Brotherhood of Teamsters urges the enactment of S. 306.

Thank you.

Senator CANNON. I take it from your statement here you don't represent any of the Delta employees?

Mr. GRISWOLD. No, we don't, Mr. Chairman.

Senator CANNON. I meant to ask that of the other people. I wonder, Mr. Lindner or Mr. McCauley or Mr. Peterpaul, do any of you represent any of the Delta employees?

Mr. MADISON. In behalf of Mr. Lindner, the only groups represented at Delta are the Airline Pilots and the Independent Association of Dispatchers.

Mr. GRISWOLD. We hope to correct that situation, Mr. Chairman.

Senator CANNON. Maybe they will join the pact.

I was just curious to know if that may be the reason that they don't belong to it. I do not know. Do you have any speculation on that?

Mr. GRISWOLD. I can't speculate for Delta Airlines, Mr. Chairman.

Senator CANNON. Have they ever had a strike, do you know?

Mr. GRISWOLD. In 1947, between 1946 or 1947. It was prior to the pact, Mr. Chairman.

Senator CANNON. Much of the testimony here today has centered on events from 1969 up to the present, including the increasing length of strikes and so on.

Do you think if Congress were to roll back the amount, the limit that an airline could receive, a percentage limit, that this would correct the basic problem, or not?

Mr. GRISWOLD. I think that would take a step in the direction of correcting the problem.

Certainly, Mr. Chairman, if the pact were amended to the extent that it returned back to the original windfall-profit concept, I would think that that would have a positive effect of correcting the current unbalance as we see it.

Senator CANNON. Thank you very much.

Mr. GRISWOLD. Thank you, Mr. Chairman.

Senator CANNON. That concludes our witness list for today.

The subcommittee will stand in recess until 10:30 tomorrow morning.

The hearing tomorrow will be in room 2228 because of a conflict here.

[Whereupon, at 3:36 p.m., the subcommittee recessed, to reconvene at 10:30 a.m. on Thursday, April 24, 1975.]

The following information is being furnished to you for your information. It is requested that you advise the Bureau if you have any questions or comments regarding this information.

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ABOLISH THE AIRLINES' MUTUAL AID PACT AGREEMENT

THURSDAY, APRIL 24, 1975

U.S. SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee was reconvened, pursuant to adjournment, at 10:35 a.m. in room 2228 of the Dirksen Senate Office Building; Hon. Howard W. Cannon (chairman of the subcommittee) presiding. Senator CANNON. The hearing will come to order.

Yesterday we heard from labor representatives supporting S. 306. Today during our hearing we will hear from industry representatives who will defend the MAP.

Our first witness this morning will be Mr. Paul Ignatius, president of the Air Transport Association.

Mr. Ignatius, nice to see you.

STATEMENT OF PAUL R. IGNATIUS, PRESIDENT, AIR TRANSPORTATION ASSOCIATION OF AMERICA, WASHINGTON, D.C; ACCOMPANIED BY CHARLES MILLER, ATTORNEY, COVINGTON & BURLING, WASHINGTON, D.C.

Mr. IGNATIUS. Thank you, Mr. Chairman. Good morning. With me are three chief executives of ATA-member airlines who are also members at the mutual aid pact.

At my right is Mr. Charles Tillinghast of Trans World Airlines.

On my left is Mr. Francisco Lorenzo of Texas International, and on his left Mr. Edward Crane of Ozark.

On my immediate right, Mr. Chairman, is Mr. Charles Miller of the law firm of Covington & Burling who has been counsel to the mutual aid pact carriers over the period of the last 14 years.

Now, there was discussion yesterday focusing in part on Northwest and National, and there is in the hearing room Mr. M. J. Lapensky, vice president of finance of Northwest Airlines, who is available to comment if questions arising with Northwest requires detailed discussion.

We had hoped to have a senior official of National Airlines here, but the people at National have been occupied in negotiating a settlement which they have just concluded with ALPA. It provides for substantial wage benefits.

I mentioned that, Mr. Chairman, in passing because this is the typical situation. Most of the contracts are settled without a strike, sometimes after mediation proceedings, sometimes not.

Indeed, over the period of the last 2 years, out of some 99 contract occasions, 94 were settled without a strike. There were five that involved strikes.

I think this is worthy of mention because the strike is a rare instance in terms of the total number of situations where it might arise, and normally these matters are settled through the process of negotiation.

Mr. Chairman, I would like to ask that the attachments to my statement be admitted to the record. I would propose to read most of it, but paraphrase one or two sections for the purpose of conserving several minutes of the committee's time.

Senator CANNON. All right. That will be made a part of the record.

Mr. IGNATIUS. Thank you, sir.

First I would like to say, on behalf of my colleagues here at the table, that we, as well as myself, wish to express in the strongest possible terms our very deep concern about S. 306, an airline-union-sponsored bill which would singularly prohibit the airlines, alone among other businesses and labor groups, from joining together in collective bargaining assistance programs.

The essential question, Mr. Chairman, that we think needs to be addressed in these hearings is: Have airline employees been hurt by existence of the mutual aid agreement? And I would like to review a few pertinent facts first.

Members of the Airline Pilots Association, the union which has led the effort to abolish the airline agreement, are among the very highest paid employees in the United States today.

The 28,000 flightcrew members, including captains, first officers, second officers, and flight engineers, employed by the 16 airlines participating in the agreement, had salaries last year averaging \$34,000 plus about \$8,500 in fringe benefits, for an average total compensation of \$42,500.

Some 30 percent of this group were paid in excess of \$42,500 in salaries alone in 1974.

Salaries for the highest paid B-747 captains ranged up to \$73,000 in 1974, plus about \$20,000 in fringe benefits.

These same captains worked an average of 12.6 days per month.

Excluding pilots, other airline employees still rank among the highest paid workers in the United States.

In 1974 airline ground employees of the 16 airlines had an average hourly wage of \$6.52, exclusive of fringe benefits, ranking them first among major nonseasonal industries, and representing an increase since 1958 of 166 percent.

Wage increases granted to airline employees over the years have been among the highest of all major U.S. industries.

These facts dramatically illustrate, we believe, that airline employees have not been hurt by the existence of the Mutual Aid Agreement.

Now I would turn to the section of my statement, the background of the Mutual Aid Agreement.

I will not go into that in full detail since there was testimony yesterday that provided the committee with some of the background.

But I would like to point out that in 1958 when this pact came into being there were 13 strikes which shut down airline operations for a total of over 240 days.

Contracts between IAM and six carriers had expired in late 1957 with the parties unable to reach agreement.

On October 17, 1956, IAM struck Capital, plainly the weakest target. Already in poor financial shape, Capital appealed to the other carriers for financial assistance to enable it to weather a strike.

Five airlines agreed, and the Mutual Aid Agreement was drafted and signed by Capital, Eastern, American, United, Pan American, and Trans World Airlines. There are currently 16 participating airlines.

Now, since its inception in 1958 the agreement has been subjected to continuing review by the CAB.

In the last 12 years the Board has conducted three full-scale public investigations into the operation of the agreement.

Each time the CAB concluded that the agreement was sound in principle and entirely consistent with the public interest.

Every member of the Board, including appointees of five different presidents, has concluded that the airlines should not be singled out as the only industry denied the right to have financial protection against strikes.

The Court of Appeals in the District of Columbia recently affirmed these actions of the CAB in a unanimous opinion written by Chief Judge Bazelon which found that all of the conclusions and findings of the Board were sufficiently supported by the record of performance under the agreement.

The airline unions sought Supreme Court review and submitted voluminous briefs to support their position. The Supreme Court refusal to review these decisions indicates that the views of the Highest Court are in harmony with those decisions.

Now, Mr. Chairman, I would like to turn to the purpose and operation of the Mutual Aid Agreement.

The purpose of the agreement is to provide a degree of protection against crippling financial losses in an industry that is particularly vulnerable to strikes.

It does not give management undue leverage in the collective bargaining process and it most assuredly does not assure profits for the airlines as a result of the strike.

The need for protection against strike losses is necessary because an airline, unlike companies in many other industries, cannot stockpile its product and ride out a strike.

A seat unsold today is lost forever.

Also, unlike industries where a single union represents most employees, the airline industry must deal with a multiplicity of unions, often competing with one another to gain additional advantage, and each carrier's employees are divided into separate groups represented by different unions. Each has the power by striking to shut down or cripple the airline's operation.

Thus, the potential for multiple strikes, plus the inability to stockpile its product and thereby cushion the effects of a strike, makes the airline industry particularly needful of protection against the effects of strikes.

Moreover, the unstable financial condition of the airline industry at various periods of its history has severely limited the ability to sustain strike losses that can amount, in the case of large carriers, to more than a million dollars a day.

Now, Mr. Chairman, in tables 1 and 2 appended to my testimony we have data representing a complete breakdown of airline strike

losses, the length of strikes and the mutual aid payments made during the period 1958 to 1974.

However, the severity of the strike loss problem, and the importance of the Mutual Aid Agreement in helping the airlines to survive, can best be illustrated, I believe, with two summary figures.

First, the total strike losses of mutual aid parties since 1958 amount to \$714,366,000. And the total mutual aid payments made during that same period of time beginning in 1958 amount to \$365,292,000, or roughly about half of the strike losses.

Mr. Chairman, I describe in some additional detail the operation of the agreement, referring to the so-called windfall payments as well as the supplemental payments, and I show the formula of amounts paid in mutual aid by time period.

I will not read that since there was considerable discussion of that yesterday.

Now, mutual aid has provided important support to struck carriers but has fallen far short of providing full protection for strike losses.

In the 17 years that the agreement has been in effect its members have suffered strike losses, as I said, approaching three-quarters of a billion dollars.

Mutual aid payments covered only one-half of that loss; to that extent the loss was spread among the airlines so that the struck line did not bear the full brunt.

Over half of the mutual aid was additional traffic payments, the so-called windfall payments.

Without this protection some carriers that were struck when they were in particularly weak condition, like Eastern in 1962 or Mohawk in 1970, might have been forced into bankruptcy.

Now, this protection is especially important in the case of smaller carriers who are particularly vulnerable to excessive union demands. And we have chief executives of two of the smaller carriers here who will speak to this point later.

They do not have the resources to resist such demands and yet unions frequently select the smaller carrier as the target for setting labor objectives.

The small carrier would inevitably be forced to capitulate to any demand, thus imperiling its own viability as well as impairing the bargaining position of other carriers.

Now let me address public interest considerations.

Four times in 15 years the CAB has closely examined the public interest effects of the mutual aid agreement. In each case it had before it the arguments of the air transport unions that oppose the agreement.

On the last three occasions it also had the benefit of full-scale hearing records.

I would like, with your permission, at a later point, for our counsel, Mr. Miller, to discuss some of the data that was available in these hearings and the thoroughness of them.

In its most recent order the board concluded, and I quote:

In sum, we think that the Mutual Aid Agreement, as amended, does not relieve carrier management of significant economic pressure to settle a strike, even though it may enable a carrier to survive a strike without permanent financial instability.

In other words, the Agreement does not upset the collective bargaining process, which depends on the stimulation of economic pressure of both sides of the bargaining table.

We simply cannot conclude, on the basis of this record, that there is any likelihood that mutual aid payments would contribute to the unnecessary prolongation of strikes or otherwise upset a fair economic balance between labor and management in any manner which would be contrary to the public interest.

Rather, as the Board has previously found, we find again that the Mutual Aid Agreement represents a legitimate resort by the carriers to economic self-help, in a manner that is in no way inconsistent with national labor policy.

And that is the end of the quotation.

This conclusion was reviewed by the Court of Appeals which found it "fully consistent" with national labor policy and the Railway Labor Act.

The labor laws of this country have long been built on the premise that labor and management should bargain collectively in accordance with the bargaining procedures specified by law.

As a matter of fact, this approach strongly favors the unions in the airline industry, which possess unique bargaining strength as shown most dramatically by the results of the bargaining over the years.

It must be clear, therefore, that the proposed mutual aid legislation is an effort by the airline unions to single out the airline industry and to apply to it alone a set of restrictions on collective bargaining freedom that Congress has to date refused to apply to employers or unions in general.

In other words, the airline unions seek special interest legislation to further strengthen themselves and weaken the airlines at the bargaining table.

To enact such a law would be unprecedented, unfair, and contrary to the public interest.

No other industry in America conducts its labor relations in as open a fashion as the airlines.

The Federal Aviation Act requires airlines to secure approval from the CAB each time they agree to any common arrangement, including arrangements affecting their labor relations.

In no other industry is an employer mutual assistance arrangement subject to anything even approaching the same kind of official, public scrutiny as the airlines mutual aid agreement has been given. Even the railroad industry's mutual strike insurance program is operated free of government oversight.

Moreover, labor unions—in the airline industry, like those outside the industry—have persistently engaged in a wide variety of mutual assistance programs without any governmental oversight at all.

They employ a common strategy designed to whipsaw carriers and impose successively higher settlements on each regardless of the ability of a particular carrier to pay.

The unions effectively supplement these tactics with others, such as the honoring of one another's picket lines, financial assistance, slow-downs, and other pressures.

By providing protection to struck carriers, the mutual aid agreement is a defense against these broad-based union strategies.

Mutual aid is necessary if the airlines are to maintain even a semblance of influence over their labor costs, which are about 40 percent of their total operating costs.

Undue restriction on the right of the airlines to protect themselves as do other industries would be completely discriminatory, unfair, and unjustified.

In this connection, the mixed financial success of the airline industry over the years is most pertinent.

Labor costs are the largest single component of total operating costs. As shown in table 3 and its appendix A, as labor costs have pushed upward since 1967, airline profits have been eroded.

In every year some airlines have either sustained major losses or barely broken even. Unless airlines are able to report more consistent earnings, they will not be able to maintain their high quality service.

To the extent that mutual aid helps airlines to impose some control on the soaring costs of labor and thus improve the possibilities for reporting earnings, we believe it serves the interest of the public.

Now, could we address the arguments that the unions have raised in their testimony and presented to you?

The Airline Pilots Association and other unions in pressing for legislation to outlaw the mutual aid agreement have focused on three main points:

First: That mutual aid impairs the collective bargaining process.

Second: That airlines profit from strikes because of the agreement.

Third: That mutual aid prolongs strikes.

I would like to examine with you, Mr. Chairman, each of these items of controversy.

Union critics of mutual aid and particularly the pilots have consistently contended that the agreement destroys the process of collective bargaining. But we believe the facts tell quite a different story.

For years airline employee wages in general have been the highest in any major domestic industry and they have increased faster than those in any other industry.

Table 4 shows the "No. 1" ranking of airline employees both in wages and rate of increase.

From 1967 to 1973 airline industry compensation increased at a substantially higher rate than the U.S. industry generally and the average compensation is approximately 65 percent higher than the national average.

The startling comparisons with U.S. industry are shown in table 5.

In addition, as shown in table 6, the increase in airline employee compensation during the same period was more than twice the 33-percent increase in the cost-of-living index during that same period.

As a matter of fact, an independent CAB staff study found that "commencing in 1963, wage increases have outstripped increases in employee productivity by a substantial margin.

Airline compensation per employee has increased at a much faster rate than the average airline fare.

During the past several years, as shown in table 6, average compensation per employee is up more than 80 percent compared to about a 28-percent increase in average revenue per passenger mile.

Fringe benefits have increased significantly in recent years. The airline employee currently enjoys very generous benefits as set forth in table 7.

The airlines have been among the industry leaders in granting added holidays, more vacations, and company-paid health insurance and pension plans.

Furthermore, the health plans include, among other things, dental and prescription drugs, features which are not prevalent throughout the industry.

The cost of fringe benefits to the airlines approximates 20 percent of labor costs for pilots and 13 percent for ground employees.

It is quite clear then that collective bargaining has made airline employees among the most generously compensated of any workers in the Nation.

Despite mutual aid, unions retain the upper hand in collective bargaining as these results demonstrate.

This is also shown by the record of responses to recommendations of Presidential emergency boards for settlement of important disputes.

As indicated in table 8, airlines almost always accept them, while unions invariably reject them.

In addition, airlines have been far more willing than unions to submit collective bargaining disputes to binding arbitration.

These facts show how unwilling unions have been to accept outside or third-party assistance in resolving disputes and their preference for resorting to economic force to impose demands not agreed upon at the bargaining table, even where the airlines have the protection of mutual aid.

The Airline Pilots Association, which is leading the fight to abolish mutual aid, represents the richest organized employees in the country. The average annual pilot's or flight deck crew's compensation, including salary and benefits, on trunklines and local service carriers, is currently about \$45,000 with some airline captains' total compensation exceeding \$90,000.

If the collective bargaining process has been impaired by the Mutual Aid Agreement, and if the pilots have suffered, one wonders how.

As can be seen in table 9, we now have ALPA members who captain domestic airline flights receiving annual compensation ranging from nearly \$54,000 on DC-9 aircraft to over \$90,000 on 747 aircraft—with these high rates scheduled to increase significantly next year.

Table 10 is equally startling and further evidence of the overwhelming strength of the pilots' union relative to the air carriers, even with mutual aid protection.

The average 747 captain employed by five major U.S. airlines which operate this equipment is away from his home base for all or part of 12.6 calendar days per month, and at home free from duty for all of 17.4 calendar days.

Compare this freedom with that enjoyed by the average U.S. worker who works 5 days a week, or 22 days a month with 9 days a month free of duty.

You should also know that the 747 captain who is compensated at over \$90,000 for a maximum of 75 pay hours per month actually flies the aircraft for an average of approximately 50 hours per month.

The 747 aircraft are flown for the most part in long-haul operation, rarely on flights of less than 1,500 miles. Consequently, the pilot who is away from his base an average of 12.6 days per month is laying over in a hotel sleeping or eating or resting on most of the working days or parts thereof on which he is not flying.

A captain in a so-called short-haul operation is normally away from his home base fewer nights in a month than the 747 captain and the number of calendar days during which he renders some service tends to be greater, though still much less than workers generally.

For example, the captain of the 727 or DC-9 aircraft whose compensation exceeds \$60,000 per year as shown in table 9 will average about 16 calendar days of duty a month, with 14 days off.

On some schedules he will be at home every night, having been at his home base airport or on trips to and from it for an average of 8 hours per day.

He may overnight from time to time, but will be away far fewer nights than his long-haul counterpart.

Either way, 14 days off per month hardly reflects economic bondage.

In spite of the pilots alleged grievances against mutual aid, I think you will have to agree that they have fared extremely well at the bargaining table.

Contrary to union allegations, no airline has ever profited as a result of a strike, with or without mutual aid.

Strike losses are too severe. They begin with strike threats, which tend to cause business to fall off, and continue long after the strike has been settled.

Mutual aid does not apply, of course, before or after a strike.

Income from air transportation ceases altogether when an airline is shutdown although substantial expenses continue to be incurred during the strike.

And the struck airline continues to suffer losses for a long period of time after service is resumed because of the leadtime required to book traffic and the difficulty in regaining prestrike market position.

These gentlemen from the carriers will speak to this point in particular detail, Mr. Chairman, at a later point.

The record is clear that no airline has ever done as well from the combination of a strike and mutual aid payments as it would have done without a strike.

Rarely has mutual aid covered more than 70 percent of the total airline losses as a result of a strike.

For example, during six separate strikes in the 1969-70 period, a total financial loss exceeding \$198 million was experienced.

Of this amount, barely half was recovered from mutual aid.

The crushing toll of the strike is so severe that the airlines are strongly impelled to avoid or end the strike regardless of the availability of mutual aid.

Despite mutual aid, major airline strike losses have occurred on several occasions. Table 2 reviews 29 strikes the past 17 years of the Mutual Aid Agreement showing strike period losses in each case along with the mutual aid received.

In no case did the payments received from mutual aid fully compensate for the strike losses.

Mutual aid, as a proportion of a strike period loss, ranged from a low of 4 percent to a high of 82 percent.

More significantly, the loss recovery figure was less than 50 percent in over half the cases.

The so-called short-term benefits of mutual aid fall far short of real profits.

Losses from strikes continue to exert extreme economic pressure on the carriers' side of the bargaining table.

The CAB concluded in its latest investigation that "Carriers must . . . face the prospect that in all probability mutual aid will not meet these strike losses."

With regard to the allegation that the agreement causes or lengthens strikes, the vast majority of collective-bargaining negotiations in the airline industry are settled without a strike, as I mentioned earlier.

In a recent 5-year period, 92 out of 102 labor contracts were negotiated without any interruption in service. Consequently, airline unions appear to have abandoned earlier claims that the average number of strikes has increased as a result of mutual aid.

Nor is mutual aid the cause of longer strikes. In the first place, strike statistics show that the length of strikes where mutual aid is involved is approximately the same on the average as where no mutual aid is involved.

Strikes overall have been longer in recent years than in the past, but that is true of all industry. In fact, the CAB has found, based on a detailed record of most of the strike disputes on which mutual aid has been paid, that the financial aid was not the cause of the strike or of its length.

Their record shows that the long strikes have occurred despite exceptionally generous offers made by airlines before the strike commenced, which unions have for various reasons rejected. And in some cases where mutual aid was paid, strikes have lasted only a day or two.

Now, I would like to give some examples which show what these airline offers were which were turned down by the unions in favor of a strike, or to show also the exorbitant demands over which the unions were prepared to strike, thus demonstrating, I believe, the need of the airlines for some financial support to resist demands which, if accepted, would force major increases in the cost of transportation.

First, the 160-day strike by the Brotherhood of Railway and Airline Clerks against Northwest in 1970 commenced after the union flatly rejected an offer that would have increased wages by 33 percent, plus improved benefits, over a 3-year contract term.

The union's demands on the eve of the strike, if accepted by the company, would have increased its labor costs by 55 percent for an unspecified term.

After a 5-month strike the employees won substantial wage and benefit increases over the prior contract which raised the company's labor costs for this group of employees by 43 percent over a 3-year period, a heavy burden, but far lighter than acceptance of the union's ultimatum on the eve of the strike would have imposed.

In 1972 ALPA struck Northwest after spurning a prestrike offer of wage and benefit increases of some 27 percent over a 3-year period which substantially exceeded the then-prevailing Wage Stabilization Phase II guidelines.

ALPA opened the negotiation with 372 demands, having a 60-percent cost increase impact for a 1-year contract term. On the eve of the strike the union demands still numbered 252 with a cost impact of 45 percent, still for a 1-year term.

A subsequent company offer only 2 days after the strike began, representing an increase of 30 percent, was likewise rejected and the strike continued for 94 days.

During much of this period neither the company nor Government mediators were able to determine the realistic bargaining demands of the union.

The final settlement represented a 32-percent increase for a 3-year period or about 10 percent per year.

In 1970 the Air Line Employees Association, representing clerks and agents, struck National for almost 4 months. In that dispute the union first demanded a 15-percent annual increase in wages.

After 10 months of negotiation and mediation, and only 4 days before the strike, ALPA increased its wage demand to 23 percent annually; 2 weeks after the strike began the union increased its wage demand, this time to 26 percent annually.

For its part, National management offered increases of 8.5 percent annually in an effort to avert the strike and proposed a variety of methods for settling the dispute, all of which were flatly rejected by the union.

The final settlement on wages was for increases of 10.5 percent annually as suggested at that time by the Assistant Secretary of Labor.

Even the Air Line Pilots Association, of which ALEA is an affiliate, could not refrain from publicly criticizing the striking union in this case.

In 1974 the International Association of Machinists struck National Airlines for 110 days. On the eve of the strike the company's offer to the union matched or exceeded the settlements of five trunk carriers which had already settled with the IAM in the then-current round of negotiations.

However, at this crucial point in time the union was demanding a 15-percent increase annually in wages and fringe benefits, and a clause prohibiting the contracting out of maintenance work, acceptance of which would have required the construction of new facilities costing \$42 million, a sum double the company's labor costs for this group.

Prior to the settlement which ended the strike the union dropped its demand for new maintenance facilities and won wage and benefit increases which raised the company's labor costs by 9.5 percent per year over the period of the contract.

The 1974 2-day strike by ALPA against Braniff was preceded by 11 months of negotiations at the start of which the union served 261 demands on the company. Their acceptance would have increased the company's labor costs in 1 year by 49 percent.

Over the many months preceding the strike the number of issues was reduced to 24, but at the point of the strike the union's demands carried a cost impact of 41 percent over a 2-year period.

The settlement which ended the short strike increased the company's labor costs by 23 percent over a 3-year period.

In 1973 the Transport Workers Union representing flight attendants struck Eastern for 1 day. In these negotiations the union opening demands numbered 125 and would have increased labor costs by 75 percent for a 1-year contract.

The final settlement increased costs by about 12 percent for a 2-year agreement.

In these cases the airlines were able with the help of Mutual Aid to avoid capitulating to the exorbitant union demands, although the settlements generally exceeded the generous offers that were made by the airlines at the time the strikes commenced.

Thus, Mutual Aid helped airlines resist wholly unjustified settlements and maintain some semblance of control over their labor costs.

Now, to conclude, Mr. Chairman, I would like to pose again the question that I raised at the outset: have airline employees been hurt by the existence of the Mutual Aid Agreement?

The CAB has repeatedly said "No" during the past 17 years.

In response to a court challenge by the pilots' union, the U.S. Court of Appeals said "No" as recently as August 8, 1974.

The U.S. Supreme Court said "No" on March 17, 1975, in its decision not to review the court of appeals finding.

In the face of the highest average wage of any major U.S. industry, logic says "No."

Given the many forms of mutual aid available to—and practiced by—airline unions, we believe fairness says "No."

So, Mr. Chairman, we hope the subcommittee, like the court, will find that the CAB was correct when it determined that the mutual aid agreement is in the public interest and that it is necessary for the preservation and protection of a stable air transport industry.

I will not at this point review the tables that are appended to my statement since I have made reference to their highlights in earlier comment. But I believe, Mr. Chairman, that those tables show that airline wages are substantially higher than those of industry in general, that airline compensation has increased at a more rapid rate than the rise in the cost of living, indications of the fact that despite the pact, the airline collective bargaining process has not in any way harmed the interest of the union.

The proof of the pudding is in the eating, Mr. Chairman, and the facts in our tables we believe show that wages have not only kept pace with other industry, but, quite the contrary, have exceeded other industry.

This concludes my statement and, if the chairman will permit, I would like to request at this point that Mr. Miller, our counsel, make brief comment on several points that came up in testimony yesterday that are of major interest, I think, to the proceedings.

[The attachments referred to follow:]

TABLE 1.—STRIKE PERIOD LOSSES OF MUTUAL AID AGREEMENT CARRIERS, 1958-74¹

Strike	Length (days)	Strike period losses ^{2 3} thousands
CA-IAM, 1958	37	\$3,616
TW-IAM, 1958	16	5,094
EA-FEIA and IAM, 1958	38, 22	6,886
AA-ALPA, 1958-59	32	11,398
EA-ALPA, 1960	11	6,500
NW-IAM, 1960-61	47	5,259
AA-FEIA, 1961	7	1,466
EA-FEIA, 1961	7	3,913
PA-FEIA, 1961	7	3,001
TW-FEIA, 1961	7	2,403
EA-FEIA, 1962	82	25,224
PA-ALPA, 1965	11	5,848
EA-IAM, 1966	43	26,079
NW-IAM, 1966	43	17,008
TW-IAM, 1966	43	58,600
UA-IAM, 1966	43	61,131
AA-TWU, 1969	21	35,617
PA-IBT, 1969	4	4,373
NA-ALEA, 1970	117	47,373
NW-BRAC, 1970	160	87,551
TW-TWU, 1970	1	7,336
MO-ALPA, 1970-71	154	16,139
RW-AMFA, 1971-72	118	10,904
NW-ALPA, 1972	95	86,293
EA-TWU, 1973	1	2,064
OZ-AMFA, 1973	73	12,904
TW-TWU, 1973	44	90,547
NA-IAM, 1974	110	466,346
BN-ALPA, 1974	2	43,493

¹ All strikes of more than 1 day's duration and in which mutual aid of \$150,000 or more has been paid.

² From period 1958-66 strike period losses include lost profits before taxes and take no account of poststrike losses.

³ From the period 1969-74 the strike period losses include lost profits before taxes and losses during the immediate post-strike period.

⁴ Preliminary.

Note: Strike against Texas International which began Dec. 1, 1974, is not included.

Source: Exhibits in CAB mutual aid proceedings and carrier records.

TABLE 2.—MUTUAL AID ADDITIONAL TRAFFIC PAYMENTS AND SUPPLEMENTAL PAYMENTS AND STRIKE PERIOD LOSSES, 1958-74

[Dollar amounts in thousands]

	Additional traffic	Supplemental	Total mutual aid received	Strike period losses	Mutual aid as a percent of strike period losses
CA, 1958	\$2,619	-----	\$2,619	\$3,616	72.4
TW, 1958	2,372	-----	2,372	5,094	46.6
EA, 1958	1,060	-----	1,060	6,886	15.4
AA, 1958-59	3,372	-----	3,372	11,398	29.6
EA, 1960	951	-----	951	6,500	14.6
NW, 1960-61	3,601	-----	3,601	5,259	68.5
AA, 1961	1,059	-----	1,059	1,466	72.2
EA, 1961	198	-----	198	3,913	5.1
PA, 1961	121	-----	121	3,001	4.0
TW, 1961	699	-----	699	2,403	29.1
EA, 1962	6,070	\$9,946	16,016	25,224	62.6
PA, 1965	2,301	1,149	3,450	5,848	59.0
EA, 1966	1,305	6,362	7,667	26,079	29.4
NW, 1966	1,258	1,234	2,492	17,008	14.7
UA, 1966	17,943	-----	17,943	61,131	29.4
TW, 1966	17,962	-----	17,962	58,600	30.7
AA, 1969	20,339	-----	20,339	35,617	57.1
PA, 1969	1,065	624	1,689	4,373	38.6
NA, 1970	14,641	13,344	27,985	47,373	59.1
NW, 1970	17,195	30,092	47,287	87,551	54.0
TW, 1970	1,647	805	2,452	7,336	33.4
MO, 1970-71	414	5,447	5,861	16,139	36.3
RW, 1971-72	1,270	7,209	8,479	10,904	77.8
NW, 1972	30,049	13,876	43,925	86,293	50.9
EA, 1973	183	419	602	2,064	29.2
OZ, 1973	1,302	5,280	6,582	12,904	51.0
TW, 1973	42,042	32,401	74,443	90,547	82.2
NA, 1974 ¹	16,363	27,083	43,446	66,346	65.5
BN, 1974 ¹	314	306	620	3,493	17.7
Total	209,715	155,577	365,292	714,366	51. -

¹ Data for this strike is preliminary.

Note: Supplemental payments were not part of the mutual aid pact until 1962. Strike period losses include lost profits before taxes; from 1969-74, strike losses include losses during the immediate post strike period. Strike against Texas International which began Dec. 1, 1974, is not included.

Source: Exhibits in CAB mutual aid proceedings and carrier records.

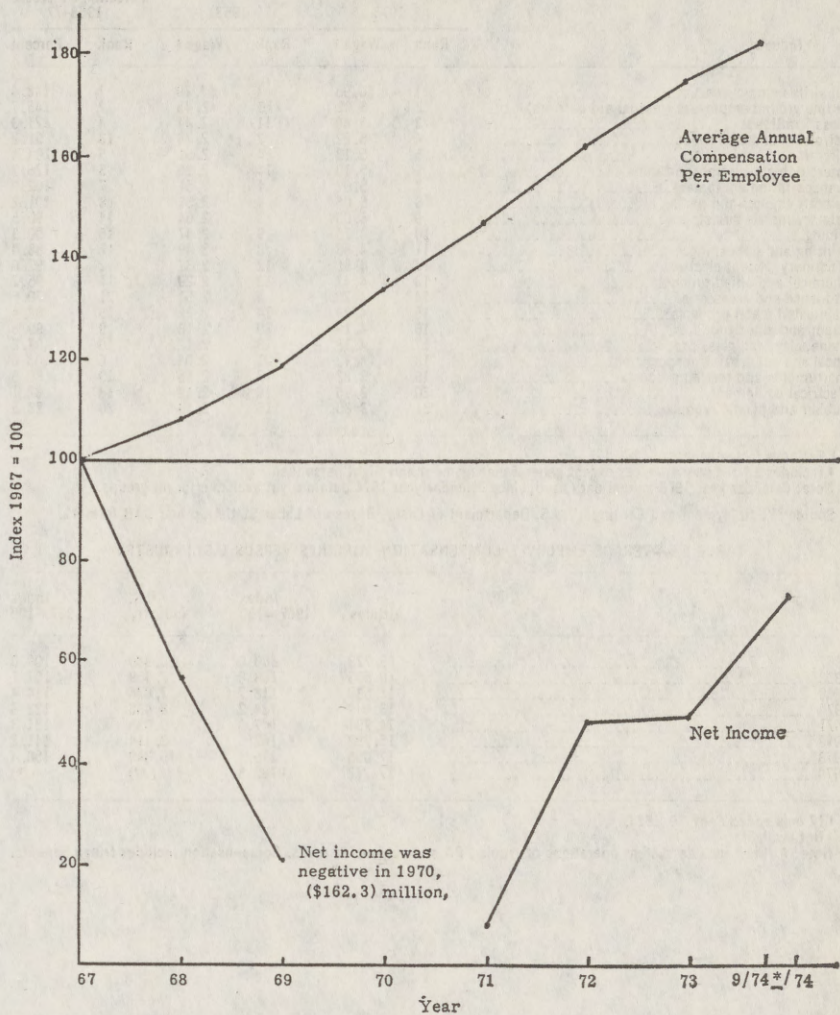
TABLE 3.—AVERAGE COMPENSATION PER EMPLOYEE AND NET INCOME SYSTEM OPERATIONS OF THE TRUNKS, PA AND REGIONAL CARRIERS, 1967-74

Year	Average annual compensation per employee	Index 1967=100	Net income (millions)	Index 1967=100
1967	\$9,723	100.0	\$407.1	100.0
1968	10,503	108.0	232.3	57.1
1969	11,539	118.7	84.3	20.7
1970	13,049	134.2	(162.3)	-----
1971	14,291	147.0	30.6	7.5
1972	15,792	162.4	196.0	48.1
1973	17,055	175.4	199.5	49.0
1974	¹ 17,772	¹ 182.8	² 298.4	² 73.3

¹ 12 mo ended Sept. 30, 1974.² Pre.

Source: CAB form 41.

TABLE 3.—Indices of average annual compensation per employee and net income, 1967-74 (1967=100)



*12 months ended Sept. 30, 1974.

TABLE 4.—AVERAGE HOURLY WAGES OF MAJOR NONSEASONAL DOMESTIC INDUSTRIES, 1958-73

Industry	1973		1958		Percentage increase 1958-77	
	Rank	Wage ¹	Rank	Wage ¹	Rank	Percent
All airline employees.....	1	\$6.93	1	\$2.79	1	148.4
Airline ground employees (mutual aid carriers) ²	2	6.02	10	2.45	2	145.7
Class I railroads.....	3	5.40	11	2.44	4	121.3
Petroleum and coal products.....	4	5.22	2	2.73	13	91.2
Aircraft.....	5	5.13	4	2.51	5	104.4
Intercity highway transportation.....	6	5.10	14	2.25	3	126.7
Transportation equipment.....	7	5.07	4	2.51	7	102.0
Aircraft engines and parts.....	8	5.05	4	2.51	8	101.2
Primary metals industries.....	9	5.03	3	2.64	14	90.5
Mining.....	10	4.70	9	2.47	15	90.3
Printing and publishing.....	11	4.68	8	2.49	17	88.0
Machinery, except electric.....	12	4.55	12	2.37	12	92.0
Chemical and allied products.....	13	4.47	13	2.29	11	95.2
Ordnance and accessories.....	14	4.28	4	2.51	21	70.5
Fabricated metal products.....	15	4.24	14	2.25	16	88.4
Paper and allied products.....	16	4.19	20	2.10	9	99.5
Stone, clay, and glass products.....	17	4.18	18	2.12	10	97.2
Local and suburban transportation.....	18	4.12	21	2.03	6	103.0
Instruments and related products.....	19	3.88	17	2.15	19	80.5
Electrical equipment.....	20	3.86	18	2.12	18	82.1
Rubber and plastic products.....	21	3.80	16	2.19	20	73.5

¹ Excludes fringe benefits.

² Includes all airline employees except general management and flight personnel.

Note: Calendar year 1973 annual data used, since calendar year 1974 data not yet available for all groups.

Source: "Employment and Earnings," U.S. Department of Labor, Bureau of Labor Statistics, and CAB form 41.

TABLE 5.—AVERAGE EMPLOYEE COMPENSATION, AIRLINES VERSUS U.S. INDUSTRY

	Airlines	Index 1967=100	U.S. industry	Index 1967=100
1967.....	\$9,723	100.0	\$6,880	100.0
1968.....	10,503	108.0	7,369	107.1
1969.....	11,539	118.7	7,874	114.4
1970.....	13,049	134.2	8,436	122.6
1971.....	14,291	147.0	9,035	131.3
1972.....	15,792	162.4	9,714	141.2
1973.....	17,055	175.4	10,349	150.4
1974.....	17,772	182.8	(^a)	(^a)

¹ 12 mos ended Sept. 30, 1974.

² Not available.

Note: Airlines include system operations of trunks, PA and regional carriers. Compensation includes fringe benefits.

TABLE 5.—Increase in average employee compensation—Airlines Versus U.S. Industry

Per Cent

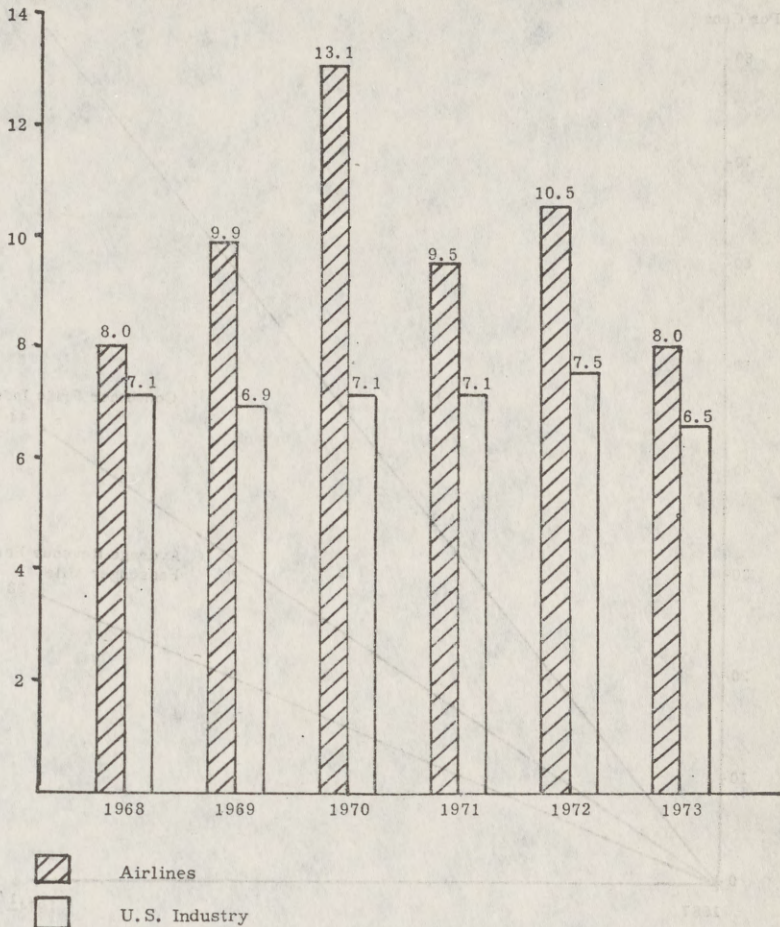


TABLE 6.—INCREASE IN AIRLINE AVERAGE EMPLOYEE COMPENSATION VERSUS INCREASE IN U.S. CONSUMER PRICE INDEX AND AIRLINE FARES

[Index 1967 equals 100]

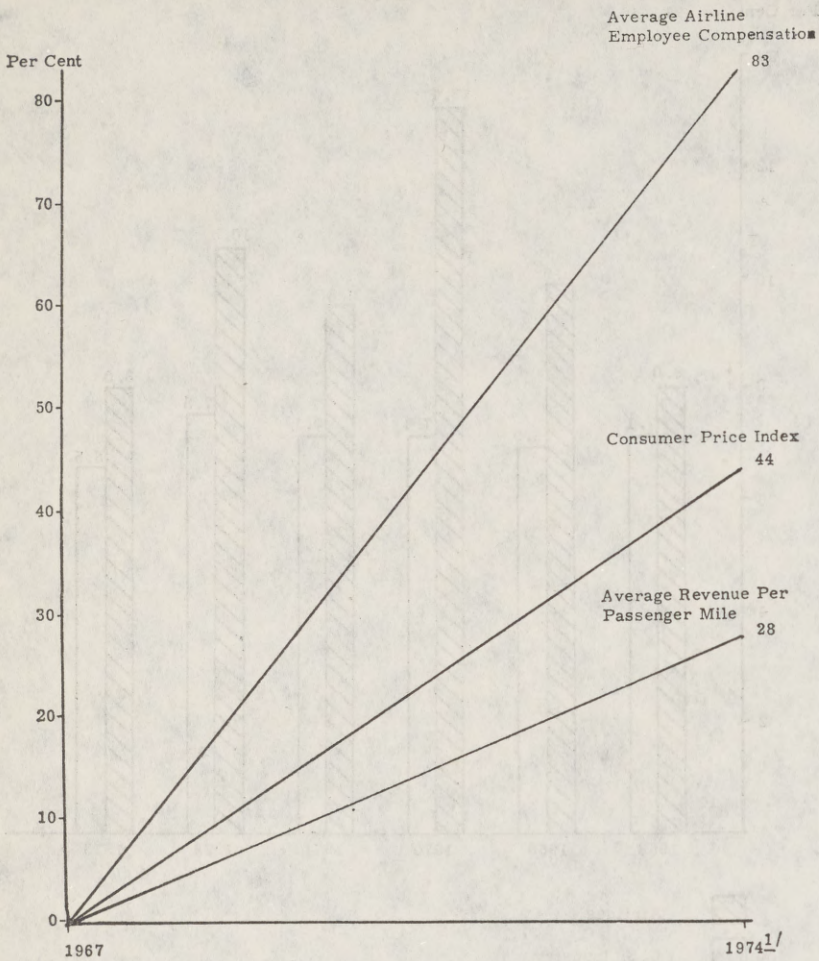
	Airline average employee compensation	U.S. Consumer Price Index	Average revenue per passenger mile
1967.....	100.0	100.0	100.0
1968.....	108.0	104.2	99.3
1969.....	118.7	109.8	101.8
1970.....	134.2	116.3	105.7
1971.....	147.0	121.3	110.2
1972.....	162.4	125.3	110.6
1973.....	175.4	133.1	115.3
1974 ¹	182.8	143.6	127.6

¹ 12 mo ended Sept. 30, 1974.

Note: Airline average employee compensation includes system operations of trunks, PA and regional carriers.

Source: CAB form 41 and "Monthly Labor Review."

TABLE 6.—Increase In Airline Average Employee Compensation, 1967-74.



¹ 12 months ended Sept. 30, 1974.

TABLE 7.—EXAMPLES OF SELECTED EMPLOYEE BENEFITS

Carrier	TWA	Ozark
PILOT		
Union.....	Air Line Pilots Association.....	Air Line Pilots Association.
Vacation.....	15 d after 1 yr, increasing to 45 d after 25 yr.	15 d after 1 yr, increasing to 40 d after 25 yr.
Sick leave.....	7 d after 1 yr, increasing to 70 d after 10 yr.	5 hr per month, (maximum 500 hr).
Noncontributory group insurance: ¹		
Daily hospital room.....	100 pct of 1st \$1,000, 80 pct of excess..	Semiprivate for 100 d.
Surgical maximum.....	By schedule up to \$1,100.....	By schedule up to \$300.
Major medical.....	After deductible, 80 pct of 1st \$7,500, 100 pct up to \$50,000.	After deductible, 80 pct up to \$50,000.
Dental.....	No deductible, by schedule up to maximum \$600 per yr.	\$50 deductible, 80 pct up to maximum \$1,000 per yr.
Life.....	To \$70,000 based on salary.	To \$40,900 based on salary.
Noncontributory Pension: Current benefit level ² excluding social security.	\$23,600.....	\$18,000.
MECHANIC		
Union.....	International Association of Machinists	Aircraft Mechanics Fraternal As- sociation.
Meal period.....	Paid on night shift.....	Paid on all shifts.
Holidays.....	10 d.....	10 d.
Vacation.....	10 d after 1 yr, increasing to 30 d after 25 yr.	10 d after 1 yr, increasing to 30 d after 25 yr.
Sick leave.....	1 d per month (maximum 110 d).....	1 d per month (maximum 140 d).
Noncontributory group insurance: ³		
Daily hospital room.....	100 pct of 1st \$5,000, 80 pct of excess..	100 pct of 1st \$5,000, 80 pct of excess.
Surgical maximum.....	By schedule up to \$1,500.....	After deductible, 80 pct.
Major medical.....	After deductible, 80 pct of 1st \$7,500, 100 pct up to \$50,000.	After deductible, 80 pct up to \$150,000.
Dental.....	No deductible, by schedule up to maxi- mum \$1,000 per yr.	\$50 deductible, 80 pct up to maximum \$1,000 per yr.
Life.....	To \$22,000, based on salary.....	To \$30,000, based on salary.
Noncontributory pension: ⁴ Current benefit level ⁵	\$5,500.....	\$5,000.

¹ Includes dependents for everything except life insurance.

² Estimated based on normal retirement at age 60 with 30-yr service. It is estimated that under a typical airline pension plan a pilot now 35 years old, retiring at age 60, could receive a pension of about \$50,000 from the noncontributory plans based on reasonable assumptions with respect to future earnings and investment growth.

³ Includes dependents for everything except life insurance.

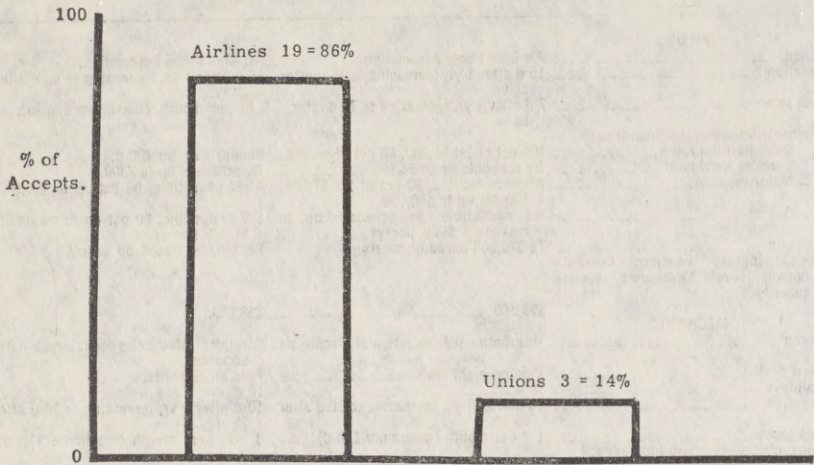
⁴ The pension is supplemented by the social security family benefit estimated at \$5,400 annually.

⁵ Estimate based on normal retirement with 30-yr service.

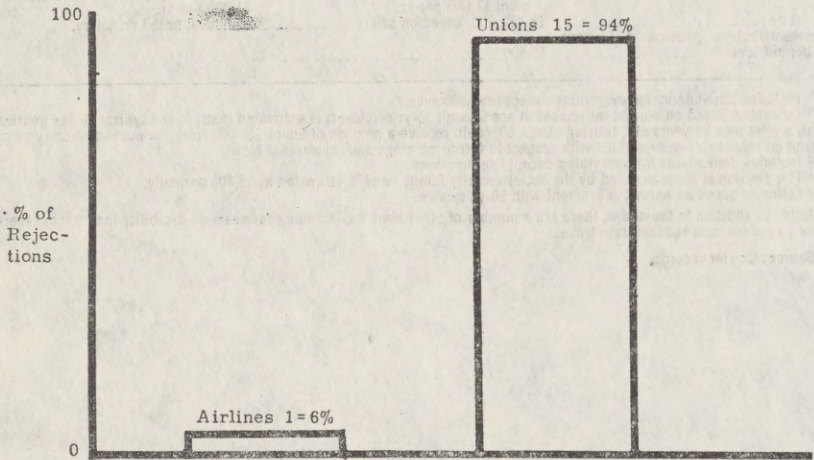
Note: In addition to the above, there are a number of other benefits, including for example disability insurance, severance pay plans, and reduced rate travel.

Source: Carrier records.

TABLE 8.—Acceptances of Presidential Emergency Board Recommendations—
Number and Percent 1946-66.



Rejections of Presidential Emergency Board Recommendations
Number and (%) 1946 - 1966

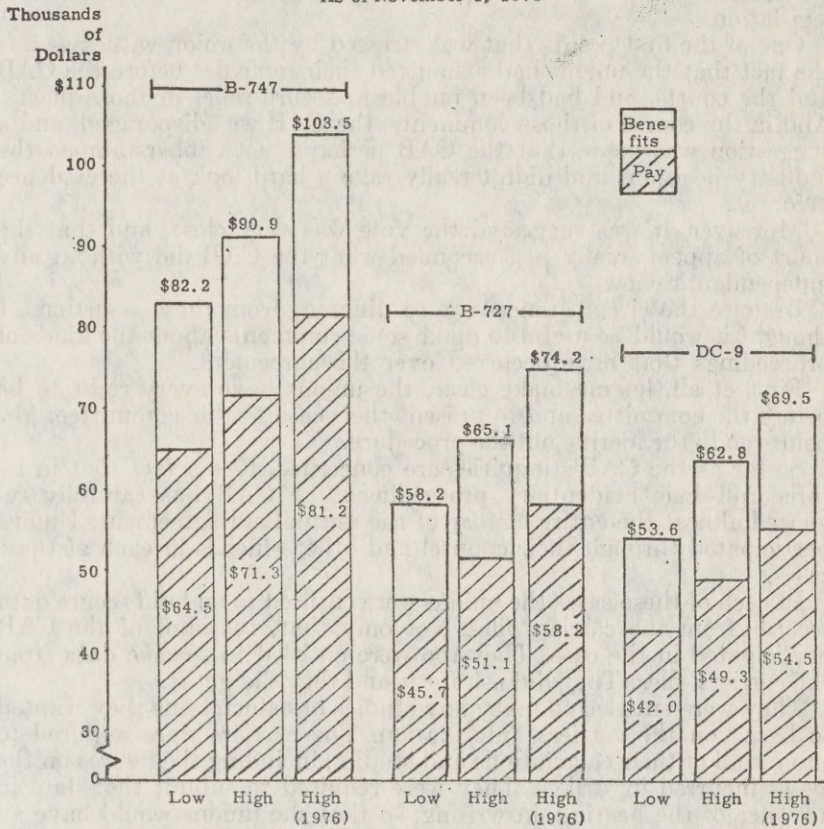


Source: Exhibits in CAB mutual aid proceedings.

TABLE 9.—Annual captain compensation domestic operations.

Low and High Rates Currently Effective and
Highest Rate in Current Agreements

As of November 1, 1974



NOTE.—Captain compensation in international operations is higher than in domestic.
Source: Carrier records.

TABLE 10.—B-747 CAPTAINS MONTHLY CALENDAR DAYS AWAY FROM BASE AND DAYS AT HOME FREE OF DUTY

[Jan. 31, 1975, through Mar. 1, 1975]

	Monthly calendar days away	Monthly calendar days at home free of duty
Airline A.....	12.1	17.9
Airline B.....	12.9	17.1
Airline C.....	11.5	18.5
Airline D.....	13.6	16.4
Airline E.....	13.0	17.0
Average.....	12.6	17.4

Note: Above data based on the vast majority of B-747 captains (captains who bid specific trips each month).

Source: Carrier records.

Senator CANNON. All right, Mr. Miller, you may proceed; and then we will begin the questioning, after you have made your presentation.

Mr. MILLER. Thank you, Mr. Chairman. I would like to comment on just a few of the points that were made during yesterday's session by various witnesses that appeared on behalf of the proponents of legislation.

One of the first points that was stressed by the union witnesses was the fact that the unions had exhausted their remedies before the CAB and the courts, and had been unable to secure relief in those places. And in the course of those comments, the CAB was disparaged, and a suggestion was made that the CAB perhaps just rubberstamped the industry positions and didn't really take a hard look at the evidence before it.

Moreover, it was suggested the vote was very close, and that the court of appeals really just seconded what the CAB did without any independent review.

Because the circumstances are so different from these assertions, I thought it would be useful to make some comments about the kinds of proceedings that have occurred over the agreement.

First of all, let me make clear, the unions have every right to be before the committee and to present their case to this committee. My points go to the merits, not the procedure.

So far as the CAB's inquiries are concerned, it is a fact that in its three full-scale evidentiary proceedings, the CAB has carefully reviewed almost the entire history of the mutual aid agreement. Unions participated through their counsel and other officials in each of these cases.

In each of these cases the unions were entitled to and did secure data records from the carriers' files. Not only that, the staff of the CAB participated in the case. They too were entitled to specific data from the carriers' files. They did ask for it and they did get it.

They were entitled to make any studies or calculations they wanted to based on the carriers' information. The carriers were required to submit all of their calculations and studies, including the figures on the losses incurred in strikes. They were required to submit that data in advance of the hearing, in writing, so that the unions would have an opportunity to analyze it and do any kind of rebuttal they chose to do.

The unions were then given a full opportunity to cross-examine all of the carriers' witnesses who had to be present to support the data that the carriers had submitted showing the amount of losses suffered during strikes.

In the most recent case, the unions hired outside expert witnesses and put them on the stand to testify about the case, and to analyze the information from the unions' point of view. So with all this kind of analysis and all this kind of records that were made available to the unions, there was full opportunity to review every aspect of mutual aid, including all the facts and data relevant to it.

And, yet, during all these years, and despite all this information available to them, the unions never once seriously questioned the data that the airlines had submitted on the losses suffered during strikes. Nevertheless, the Board staff and the administrative law judges looked at this information and gave it full consideration, and they all accepted it, and it was finally reviewed by the five members of the CAB who

sat during each of the cases, actually a number of different Board members reviewed this information, and they all accepted the data supplied by the carriers.

And the Board, on each occasion, approved the agreement.

I pointed out that far from passing off the Board's approvals as merely the actions of handmaidens of industry, a number of the members of the Board who have voted to approve this agreement over the years are quite familiar to this committee, such members of the Board as Senator Chan Gurney from South Dakota; former member, Alan Boyd, who went on later to serve as Secretary of Transportation; Lewis Hector, a democratic appointee who is a well-known critic of the CAB; Robert Murphy, former distinguished member of the staff of this committee who sat for many years on the CAB.

All of these independent and respected citizens look hard at the evidence on mutual aid and each of them voted to permit the airlines to continue this vital element of self-help.

Now it is a fact that there were two members in the last CAB case who dissented in part from the CAB position. I want to emphasize that those two members, as well as the majority, agreed that the airlines were entitled to have and should have mutual aid. And they rejected the arguments that mutual aid was a bad concept and harmful to the industry.

And they also agree that all carriers should be entitled to participate in the agreement. Where they differed from the majority was as to whether the present level of mutual aid payments should have been approved. And, here again, the two dissenting members did not disagree with any of the factual data that had been submitted by the airlines.

Nor did they say that the longer strikes that have occurred in recent years were the result of mutual aid. They seconded the evidence that they were not. They did express some concern that in the future, it might well be that the level of mutual aid payments was sufficiently high, that it could happen sometime down the line, that the level of mutual aid could cause an airline to stay on strike longer.

The majority found that the mutual aid agreement provides an opportunity for the airlines to improve their bargaining positions, and that is such an important public interest benefit that it easily overwhelms the speculation as to possible future concern. And the two dissenters didn't deny that. But they said that that is an irrelevant factor and the Board should not concern itself with whether the Mutual Aid Agreement would improve the bargaining posture of the airlines. That was a dispute between the dissent and the majority.

I think there is no doubt that this committee can properly consider whether or not mutual aid assists the airlines to restore some semblance of rationality to the collective bargaining process. On that point, no member of the CAB disagreed.

After the Board decision was over, the unions took this case to the Court of Appeals. And, contrary to what was said yesterday, there was no short, slight review. Their panel of judges headed by Chief Judge Bazelon carefully looked at the case, and indeed, the Court stated that the most important findings it had to review were the findings as to whether the agreement had an adverse impact on length of strikes.

And the Court said, and I'm quoting now, "If this finding is unsupported, we would have difficulty countenancing the Board's decision." That's the end of the quote. Then the Court went on to carefully review the evidence that was in the record, and concluded that the evidence affirmatively supported the CAB's conclusion that mutual aid was not the cause of longer strikes, but rather, it was a necessary tool for the airlines to resist damage caused by strikes. And that was the basis of the Court of Appeals affirmation.

Then the Supreme Court in a unanimous decision declined further review consistent with its action many years ago when it declined review of a case from another Court of Appeals upholding the railroad strike insurance plan, which has been in effect ever since and which is a quite comparable arrangement to that in the airline industry.

I think, Mr. Chairman, it is quite relevant that throughout all these years of litigation and effort and despite all of the distinguished members who have sat in judgment on the Mutual Aid Agreement and listened to the arguments made by the unions, not one person, not one judge, not one of the many members of the CAB appointed by both democratic and republican presidents, has been convinced of the unions' arguments and voted to strike down mutual aid.

That is the significant factor, I believe, for this committee to consider. And the unions now bring those time-worn arguments before this committee for their review.

I'll simply add at this point that the CAB continues to review mutual aid. Its most recent order of approval was for a 5-year period only, and the matter comes up again before the CAB in 3 years. So that if this committee decides that legislation is not called for, the operation of mutual aid will remain under the scrutiny of the CAB.

Mr. Chairman, I'd like to say just a word or two about the point made yesterday and repeated by many union witnesses that the Mutual Aid Agreement level of payments guarantees an airline a profit during a strike. And many witnesses referred to so-called evidence that airlines are able to reduce their strike expenses to 29 percent, and since the level of mutual aid payments is higher, they must be able to make a profit.

Well, first of all, the actual record shows that that is not so. We have submitted for you in the attachment to Mr. Ignatius' testimony the data which shows that in every single case where mutual aid had been paid, the struck carrier has suffered substantial losses, notwithstanding the payment of mutual aid.

These are data which have been tested by the CAB, as I have indicated, carefully tested and found to be fully supported. Most airlines, as a matter of fact, suffer very substantial losses even if you look just at the results during the strike period and take into account all of the mutual aid received.

When you consider the full cost of the strike, including all the losses that are suffered after mutual aid stops, but the losses keep coming, the losses are truly massive and there is no basis whatsoever for the suggestion that mutual aid guarantees an airline a profit.

Now, the use of the 29 percent that was made yesterday is, I'm afraid to say, quite distorted. This figure comes from a hypothetical study that was made in 1962. The study assumes that there was a long

strike and that the airline knew it was a long strike, that it had furloughed every employee that it could furlough, assuming that it would and could do so, and cut every operation down to the bare minimum and counted only those figures and expenses that could not be reduced.

Moreover, it included only operating expenses. It did not include any nonoperating expenses, including the very substantial interest burden that airlines must bear even though a strike is on. And based on those assumptions and on that data, the conclusion was that somehow during a long strike, an airline could possibly reduce its fixed expenses down to 29 percent.

The fact of the matter is that the mutual aid payment levels are based on a certain percentage, 50, 45, 40, or 35 percent, of last year's operating expenses. That is the way the mutual aid formula works.

Since costs in the industry are rising substantially and promise to continue rising substantially, the 50, 45, 40, 35, formula based on last year's expenses actually amounts to a much lower percentage of current expenses.

Also, mutual aid is not paid currently. Under the agreement payments are not due until 10 days after each month in which they are obligated to be paid. So even though the airline may book them, it doesn't have the money in hand during the strike when it needs it most.

All these points, plus the overall point that mutual aid covers only barely half of the total costs of a strike, make it clear to me that the agreement does not guarantee a profit to any airline and no airline on strike can count on a profit, even though it has mutual aid.

I'd like, also, to address, Mr. Chairman, the point that union spokesmen made yesterday that mutual aid has increased strike activity. The point has been made, but it is worth saying again, that the number of strikes in this industry is very small and continue to be very small with or without mutual aid.

Since 1970, and up to date, 257 labor contracts, separate contracts, have been negotiated in this industry; 245 of those were concluded without any strike or interruption of services. And I think this evidence shows how rare a strike is in this industry.

You know from the evidence you have already seen how high the settlements have been in this industry. And these facts in combination, very few number of strikes and very high settlements, are a full answer to union arguments that mutual aid somehow destroys the fabric of collective bargaining.

You might be interested to know that in settlements Mr. Ignatius referred to, involving National Airlines, the ALPA settlement which was reached yesterday calls for benefit increases in the amount of 35 percent over a 40-month contract term. Within the last few weeks National has entered into a settlement with its clerical and agent employees calling for a settlement of 24 percent over the last 26 months.

Since National was one of the airlines singled out by the unions yesterday in testimony, I thought you would be interested in those figures to show the kinds of settlements that airline unions are able to reach at the collective bargaining table. The unions, notwithstanding the fact that the airlines do have the protection of mutual aid—

Senator CANNON. What was that second figure you gave for other employees, what percentage over what period?

Mr. MILLER. That was for clerical and agent employees, and the figure was a 24-percent increase, that is wage and other benefits, over 26 months.

Senator CANNON. Over 26 months.

Mr. MILLER. Almost 1 percent per month.

Just a word about the length of strikes, because the unions have incorrectly said that since 1969 the average length of strikes has been over 100 days in this industry. That is not so, and the data submitted by the unions, you can look at it yourself, it is appendix A, page 6, to the ALPA submission by Mr. O'Donnell, and if you just take those figures and accept those figures and average them out you will see there are about 59 days average per strike.

Strikes have been longer, nevertheless, in this industry in recent years than in the past. But it doesn't follow from that that mutual aid is the cause of the increased length. Unions and their supporters have argued that is it the cause and they say don't look at the facts to test that theory, just accept it.

And they say to look at the facts to delve is into minutia. I think what they really mean to say is the facts wouldn't support the proposition.

We have offered the facts before this committee, the board looked at them, the court looked at them, and they have all found that mutual aid is not the cause of longer strikes in this industry.

Let me just say one word about the issue of productivity, which was raised here in an attempt to defend the extraordinary wages that are paid to airline employees. The airline pilots submitted to you a study which, by the way, have never been submitted to the CAB, and I have never seen it before this hearing. It is factually inaccurate. It states that airline pilot costs have remained constant in relation to available ton-miles in the last few years.

That is not so. If you look at all pilot costs including pensions and other fringe benefits which were omitted from the pilot study submitted yesterday, you will see that in the last 3 years—it appeared the pilots used from 1970 to 1973—the costs of the airlines in compensation to pilots increased 20 percent per available ton-mile.

That is to say for every unit of service offered by the airline, the pilot costs increased by 20 percent over 1970. If you add 1974, which was not in their submission, the increase would be 30 percent.

Mr. Chairman, we'd like the opportunity, if you permit us, to submit a more complete response to this for the record at a later time. But I was able to do this much over night.

Senator CANNON. We will be glad to have you make a submission.

I think rather than start questioning now, I'm going to have to recess briefly to go over and vote. Perhaps we'd better have the statements from the other people and then I can address questions to all of you at one time.

We'll recess for about 10 minutes so that I can go over and vote.

[Recess.]

[The following information was subsequently received for the record:]

AIR TRANSPORT ASSOCIATION OF AMERICA,
Washington, D.C., May 30, 1975.

Hon. HOWARD W. CANNON,
Chairman, Aviation Subcommittee of the Committee on Commerce, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: During the recent hearings on S. 306, you were kind enough to permit us to submit additional data on pilot costs per available ton mile. The discussion on this matter appears on pages 201 and 202 of the transcript of the April 24 hearings.

We are pleased to submit such data for your consideration and inclusion in the record in the form of the attached chart and table together with an accompanying explanatory statement on pilot costs per available ton mile.

As Mr. Ignatius pointed out in his testimony, however, airline productivity has been largely related to improvements in aircraft technology. Thus, the most appropriate measure of increased pilot costs is the total dollars of compensation per pilot rather than dollars of pilot compensation per available ton mile. In that connection, in the last seven years, average compensation per airline pilot increased 94 percent while the cost of living increased 44 percent and airline yield per passenger mile increased 28 percent.

Sincerely,

LEO SEYBOLD,
Vice President, Federal Affairs.

PILOT PAY AND DIRECTLY RELATED EXPENSES HAVE INCREASED SHARPLY AND FAR BEYOND THE LEVELS REPRESENTED BY THE AIR LINE PILOTS ASSOCIATION

The statement of John J. O'Donnell¹ attempts to demonstrate that pilots salaries—however individually large—have not occasioned an increase in airline unit costs and are only more pay for increased productivity. Referring to his chart 1, Mr. O'Donnell states "This view is confirmed by the line showing pilot salary as a separate item of cost. This red line demonstrates that pilots salaries per ATM have 'bumped along' at the same level since 1969 without any appreciable increase or decrease." (O'Donnell, p. 28)

Attention is called to the testimony of Mr. Paul R. Ignatius appearing on pages 238-240 of the transcript of the April 24 hearings pointing out that advancing productivity in the airline industry in substantial measure has been the result of new technology rather than improvement in worker or pilot productivity.

Beyond this, there are three serious errors in the above quoted portion of the O'Donnell statement and in the graph following page 28 identified as "Chart 1":

1. The line plotted on chart 1 as "Pilot Salary/ATM" reflects only CAB Account 5123 which covers pilot pay only and does not cover (a) personal reimbursement for expenses, or (b) growing pension costs, or (c) related payroll taxes. All are costs of pilot services.

2. Plotting only the paycheck cost ignores the fact that recent pilot negotiations have focused most heavily on improved pension benefits. This follows because salary compensation (and income tax) has become exceedingly high, and pilots have sought increased "deferred compensation" in the form of larger and more remunerative pension benefits.

3. Although data was available for 1974 at the time of the submission of the O'Donnell statement, the latest figures he included are those for 1973. When the most recent year is added, it is clear that pilot unit costs have advanced even more sharply than in the period represented by ALPA.

Table 1 (enclosed) demonstrates the sharp increase in pilot costs in terms of actual dollar figures and ATM unit cost for the total trunk industry excluding Pan American (the basis of the ALPA testimony). Total pilot cost in 1969 was \$690,627,000 or 2.13¢ per available ton mile. By 1973 (the year shown by ALPA) the total cost had risen to \$984,003,000 or 2.54¢ per available ton mile. This is an increase of 19.2 percent in unit cost. An increase of nearly 20 percent has surely not "bumped along" at the same level, as represented by ALPA.

In 1974 the total pilot cost shown in table 1 had risen to \$1,036,914,000 or 2.80¢ per available ton mile. Thus, the five-year unit cost increase amounted to 31.5 percent.

Of great significance in this data is the fact that while pilot pay (account 5123) rose from \$514 million in 1969 to \$730 million in 1974, an increase of 42 percent, pension benefits rose from \$106 million to \$205 million in the same period, or a

¹ See Statement of John J. O'Donnell before the Subcommittee on Aviation of the Committee on Commerce, United States Senate—on the Airlines Mutual Aid Pact (April 23, 1975), page 28 and chart 1 immediately following.

jump of 93 percent. Failure to portray this drastic increase in a key part of the pilot compensation makes the ALPA chart and related text grossly misleading.

Pilot unit cost per ATM has not "bumped along" in the last four or five years, as represented by the ALPA witness. It has increased sharply—with the cost per ATM for pilot services jumping more than 31 percent.

It must be remembered, however, that increases in pilot costs are more appropriately demonstrated on a cost per employee basis not a cost per ATM basis. From 1967 through 12 months ended September 30, 1974, average compensation of all airline pilots (trunks, Pan Am and regionals) increased 94 percent. This compares to an increase of 44 percent in the consumer price index and 28 percent in average revenue per passenger mile.

Chart 1

ALPHA CHART 1 PLOTTED ONLY PART OF PILOT COST AND
 FAILED TO SHOW DRASTIC INCREASE IN TOTAL
 PILOT COST PER AVAILABLE TON MILE

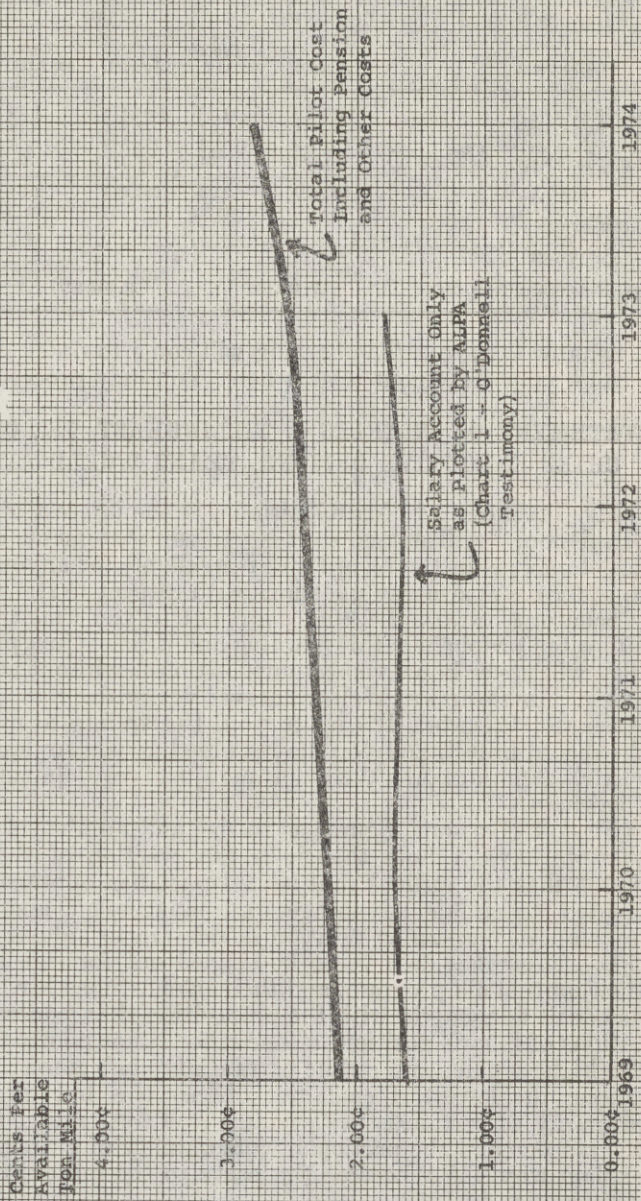


TABLE 1.—PILOT PAY AND DIRECTLY RELATED EXPENSES HAVE INCREASED 31.5 PERCENT PER AVAILABLE TON-MILE IN 5 YR, 1969-74

[Dollars amounts in thousands]

CAB account	Total trunks (excludes Pan Am)					
	1969		1973		1974	
	Amount	Cents per ATM	Amount	Cents per ATM	Amount	Cents per ATM
5123 Pilot pay.....	\$514,329	1.59	\$694,170	1.79	\$730,836	1.97
5136 Pilot expense.....	56,111	.17	72,616	.19	73,805	.20
5157 Pension and welfare.....	106,512	.33	193,889	.50	205,453	.55
5168 Payroll taxes.....	13,675	.04	23,328	.06	26,820	.08
Total.....	690,627	2.13	984,003	2.54	1,036,914	2.80
Percent increase:						
4 yr 1969-73.....						19.2
5 yr 1969-74.....						31.5
Available ton-miles (thousands).....	32,419,645		38,847,927		37,057,354	

Senator CANNON. The hearing will come to order. Mr. Tillinghast, I think your statement is next here. You may proceed.

STATEMENT OF CHARLES C. TILLINGHAST, JR., CHAIRMAN AND CHIEF EXECUTIVE OFFICER, TRANS WORLD AIRLINES, INC.

Mr. TILLINGHAST. Mr. Chairman, in the interest of time with your permission, I will not go over—read my statement, or summarize it in detail. It is in the record and is available for anyone who wants to consider it or raise any questions with respect to it.

Senator CANNON. I would point out to you that there are a lot of interested people here this morning and if this is just put in the record, they will never know what your position is without comment.

Mr. TILLINGHAST. Well, whatever you wish.

Senator CANNON. It's up to you. I'm willing to make it a part of the record in full, and you may proceed as you so desire.

Mr. TILLINGHAST. Well, let me just very quickly read it, Mr. Chairman.

First, I give some figures as to size and number of union members that we have. I note that it is the position of the proponents of S. 306 that the airlines mutual aid pact has oppressed its labor and created an unfair advantage for management and resulted in an unbalanced bargaining position in relation to industry generally, and that the airlines deserve to be singled out for legislation forbidding their mutual aid program, and theirs alone. Since Mr. Ignatius already has dealt adequately with the proposition that, contrary to the implications of labor's position, airline labor is not poorly paid, but among the highest paid, and airline earnings are not among the highest, but among the lowest, I shall not discuss this but direct my remarks primarily at certain issues peculiar to TWA. And I then go through the reasons and the particular vulnerability of airlines to strikes, that explain why TWA became the party to the mutual aid agreement in its inception in 1958.

I might, as I say in my statement, we had learned by bitter and difficult experience the leverage unions can exert. And without some form of protection, your choices when faced with a shutdown are

limited to either accepting certain bankruptcy through an extended strike or accepting the union's demand and hoping that through a combination of traffic growth and fare increases, you can earn enough to stay in business. These, at least at times, are not acceptable alternatives, particularly if one is concerned with maintaining an acceptable, reasonably priced national system of air transportation.

When considering the public interest aspect of the mutual aid agreement, the question of the impact of massive wage and fringe benefits on the price of an airline ticket cannot be ignored. For the last 5 years TWA's average number of employees has remained relatively constant, approximately 35,000. Productivity as measured in employees, and in my original statement, there was an incorrect word, it should be productivity is measured in employees per available ton-mile, also has remained relatively constant. However, our wage costs have increased an average of more than \$30 million each year. And 65 percent of that increase relates to wages and fringes paid organized employees. In view of this, the pressure for increased fares to offset wage increases is obvious.

The claim is often made by opponents of mutual aid that the agreement permits carriers to make a profit. Let me put this issue in its proper perspective by describing our most recent strike experience. In 1973, TWA experienced a 45-day strike of its flight attendants, who were represented by the Transport Workers Union. The strike began on November 4 and ended on December 18. As a bit of history, several years earlier in May 1969, the same flight attendants represented by the Transport Workers Union presented 143 proposed changes, which were estimated to increase TWA's cost by 72 percent during the 1-year contract proposed by the union. On the eve of the strike, the union demands for the same 1-year contract would have increased our costs by 51 percent. And after a 1-day strike a settlement was reached which raised the wage and fringe costs for the group by approximately 8 percent per year over a 3-year contract period.

In 1973 approximately 5,000 flight attendants effectively shut down the entire airline and idled approximately 14,000 other employees. At the outset the union had 211 proposals covering every article of the agreement. Aside from wage demands involving escalation of wages by more than 50 percent in the first year, the union was calling for work rule changes that would reduce effective working time and an improvement in all fringe benefits. The cost of the wage demands alone would have exceeded \$25 million in the first year. On our side we were calling for productivity improvements equal to the wage increases granted.

The union indicated it was not prepared to negotiate any of the company issues and maintained that position from the initial meetings in July 1972 through early November of 1973. On November 4, there were still 31 issues open, of which 26 were characterized by the union as strike issues. We offered a package of wage and fringe benefits that would have improved the flight attendants position by over 7 percent over the 3-year life of the agreement. Their offer was rejected, and as a consequence began what was to prove to be a 45-day strike.

At the time the strike occurred, we had achieved considerable momentum in the marketplace, and we were very reluctant to close down our service to the customers we had fought so hard to gain or to alienate the flight attendant group, which has the most direct contact

with those customers. However, while recognizing the pressures of inflation and the need for a wage and fringe increase for the flight attendants, we simply could not afford the increase demanded by the union leadership.

Starting in September of that year, the TWU had made the possibility of a strike widely known in the media, and as a result TWA's bookings began to fall off in October. Obviously during the strike we had no business at all. During the 6-week strike period the travel agents who were responsible for almost 50 percent of our sales not only made reservations on other carriers but got in the habit of doing so. And this was particularly burdensome in that we were entering the Christmas and the New Year holiday period. After 45 days a settlement was achieved, we instituted service on December 19, and unfortunately with rare exceptions our planes flew very lightly loaded for several weeks. Even the Christmas and New Year's rush didn't help much. Our domestic revenue passenger miles were 30 percent below the comparable 1972-1973 holiday period while our international traffic was off a little bit more. As a result, we lost over \$14 million pretax in December. In January we lost \$25½ million. And in February we lost over \$28 million.

For the strike period we received \$74.4 million in mutual payment. Our revenue loss was over \$156 million. And our ongoing expenses during the strike were over \$75 million. Therefore, not only did we not cover expenses during the strike with mutual aid payments, we received no mutual aid payments at all to offset the revenue loss. And more importantly, we received no compensation for the pre- and post-strike revenue loss.

For January and February alone—for January and February alone we estimate the loss to be approximately \$46 million. And from this you can see that TWA did not profit as a result of mutual aid. In fact, we estimate that our net loss for the 1973 ALSSA strike was in excess of \$20 million.

And I might digress from my prepared text to say that in my own opinion, these losses that we can compute with some specificity are really only a part, and I would judgmentally say maybe only half of the long term enduring losses that resulted from this work stoppage. There is not the slightest doubt in my mind that in the short run we lost money, and that in the long run the revenues that we got from mutual aid were absolutely essential to contribute to TWA's long-term financial stability.

When you consider that we have pilots, not all pilots, but pilots whose wages and fringes exceed \$90,000 a year for a theoretical 75 hours work each month and flight attendants who earn as much as \$19,500 in wages and fringes for a theoretical 85 hours a month and mechanics whose annual salary and fringes top \$19,500, it is difficult to accept the thought that unions have been unfairly prejudiced by mutual aid. In fact, airline union employees are the highest paid workers that there are, and their increases have far outstripped the consumer price index over the last 10 years. Without mutual aid certain of them might be even more highly paid. But I can assure you if that were the case there would be fewer airlines, fewer total employees and eventually air fares would reach such heights that either air travel would be a luxury available only to a few or the

Federal Government would be forced to subsidize the airlines with direct payments to offset high wage rates.

The mutual aid agreement permits airlines to survive and in fact protects the jobs of the individuals who oppose it. I hope, as they think about the favorable impact on their own opportunities, they too will come to the conclusion that seems so apparent to everybody else who has studied the issue.

If I may, Mr. Chairman, I'd like to take just a minute more to touch on two things. One, I understand that yesterday there was considerable comment about an alleged quotation appearing in a Honolulu paper. Let me put that in proper context. That is not an exact quotation by any means.

Senator CANNON. Let me read you just what the quotation was, because you were cited as an authority in this area on several instances yesterday and I quote: "TWA's profits for 1973 would be better off if the strike were not settled before year end. Should the strike end now mutual aid income would end and all expenses would resume. Yet for several weeks TWA's revenues will be subpar since reservations fell with the strike news."

Mr. TILLINGHAST. Let me say, Mr. Chairman, that that is not in any sense an exact quotation. I had a general interview with a newspaper gentleman in Honolulu dealing with other matters and only incidentally with the strike that started that day or the day before. And in the course of that, remarking on the seasonality of TWA's business, he asked me the question: "At this time of year don't you do at least as well on strike as you would do if you weren't on strike?"

To which I replied: "Yes, for the period of the strike, we will do as well or better than we would be at this time of year, as we do at this time of year if we were not on strike. But the thing you have to recognize is that the minute the strike is over and our expenses come back in full and our traffic takes time to build up, we will lose all those benefits and more too and be net well behind."

Then, as I recall, he asked the question: "Well, suppose, for example, that your strike ended on the last day of the year, would you be better off in 19—would you show better earnings in 1973 than if the strike stopped short of the last day of the year?" And I said: "That might be the case, but again I want to emphasize that the real penalty you take is the day the strike ends and you begin with full expenses to try to get your revenues back, and no one should be under any illusion as to how you come out net from the exercise."

Now, one final thing, if I may. I'd say that I think the airline industry has a great problem, has had a great problem of profitless growth. It is a problem in the investment community. Just about 1 year ago I was on a panel of an investment forum talking about the problems of the airline industry, and I said at that time that I thought its largest single problem was the problem of keeping employee costs under control. And I would stop this morning with the conclusion, I still think that is probably one of the largest, if not the largest problem of the airline industry as it tries to compete in the future for very scarce investor dollars.

Thank you, sir.

Senator CANNON. All right. Next we will hear from Mr. Crane.

**STATEMENT OF EDWARD J. CRANE, PRESIDENT AND CHIEF
EXECUTIVE OFFICER, OZARK AIR LINES, ST. LOUIS, MO.**

Mr. CRANE. Thank you, Mr. Chairman.

My name is Edward J. Crane. I am president and chief executive officer of Ozark Air Lines, a regional carrier with its headquarters in St. Louis and which serves 62 cities in 15 States and the District of Columbia.

We are the second youngest of the Nation's certificated air carriers, having commenced operations in 1950. We also are among the smallest. As of March 31 of this year, we had 2,900 employees with an annual payroll of \$50 million, plus fringe benefits of \$10 million.

However, we have five different unions representing seven different employee groups comprising all but about 350 of our management employees. These unions and the number of our employees represented by each are as follows:

Air Line Dispatchers Association (dispatchers)	19
Air Line Pilots Association (pilots)	378
Air Line Pilots Association (flight attendants)	299
International Association of Machinists (agent and clerical)	1, 297
International Brotherhood of Teamsters (teletype operators)	9
International Brotherhood of Teamsters (stock clerks)	26
Aircraft Mechanics Fraternal Association (technicians and related)	525

In spite of the fact that we have seven different bargaining groups, we have enjoyed good labor relations. During the nearly 25 years since we commenced certificated operations, we have had only two strikes—a 7-day strike in 1970 and a 78-day strike in 1973—both of which were by the same union, the Aircraft Mechanics Fraternal Association. This small union, which has represented our maintenance employees since 1967, is a bargaining agent for only one other airline.

In other words, Ozark has been able to bargain successfully with all of its larger unions. But it has been unable on two occasions to reach peaceful settlements with this one small union which twice has shut down our operations and deprived a large portion of the Midwest of certificated air service for a prolonged period of time—Ozark is the exclusive carrier at 33 of the cities it serves.

On January 1, 1971, Ozark became a member of mutual aid because we then believed—and still believe—this to be in the best interests of our stockholders, our customers, and our employees. In the absence of the assistance provided by this agreement, it literally would be impossible for a company such as Ozark to withstand the demands of any union—however unreasonable.

We currently have fixed, monthly cash costs in excess of \$3 million regardless of whether we operate at all. Most of these costs represent interest and debt payments to our lenders, lease payments for certain of our aircraft, and rental payments for our various ground facilities throughout our system. Thus, a strike of any appreciable duration could literally bankrupt us in the absence of mutual aid payments. And the same thing is true of all regional carriers.

Ozark's experience in 1970 is a good case in point. On April 19 of that year, our maintenance employees—represented by AMFA—went on strike when their demands for a wage-and-fringe settlement above the top in the industry were refused by the company.

We felt there was no possible justification for a company like Ozark to pay more than the largest airline in the country. Yet, due to losses incurred during the preceding 2 years, Ozark's financial base was such that it simply could not withstand the effects of a prolonged strike. Therefore, after only 7 days, the company had no alternative but to capitulate to the union's demands.

This strike cost the company a 44-percent increase in wages and fringes over 35 months, thus making Ozark's maintenance employees the highest paid in the industry. This strike cost the airline losses of over \$800,000—in addition to the higher costs resulting from the settlement—and could have been the demise of this regional carrier had we not conceded to this unreasonable settlement. The strike, which was the first in the company's history, took place in spite of the willingness of the company to arbitrate the case, which the union refused to do.

Our total inability to deal reasonably with this small union and our utter helplessness in coping with the situation were major factors in our decision to join mutual aid. Having set an industry precedent by this settlement, we then were faced with negotiations with our six other bargaining groups who had been told, in effect, that Ozark could not afford to take a strike. Note, for example, the following chart showing the cost of the AMFA settlement in 1970 and the cost of the next two contracts immediately thereafter:

Union and labor group	Date signed	Period of agreement (years)	Cumulative increases (percent)	Average annual increase (percent)
AMFA maintenance.....	Apr. 28, 1970	2.90	44	13.3
ALPA pilots.....	Feb. 18, 1971	2.00	29	13.6
IAM agent and clerical.....	May 27, 1971	1.60	44	25.

In 1972, after the AMFA contract had expired, the union again presented to the company wage and fringe demands well above the industry. We, on the other hand, felt that we could not afford to continue paying more than any other airline in the country. After negotiating for more than 1 year, the union remained adamant on its demands to exceed the rest of the industry, in spite of the fact that during this 1-year period the majority of trunk airlines had signed contracts with their maintenance employees at rates less than Ozark's offer.

Consequently, AMFA employees struck Ozark on April 19, 1973, exactly 3 years from the date of their earlier strike. (Interestingly in 1972, this same union struck the only other carrier with which it bargains—another regional carrier—and that strike lasted 118 days.)

In spite of continued negotiations under the direction of the National Mediation Board, the union could not be convinced to accept the industry scale. On May 4, 1973, a mediation agreement was reached and signed, but the membership turned down the agreement on the advice of the same union committee that had negotiated and signed it.

Thus, the strike continued and talks resumed in Washington, D.C., under the direction of the National Mediation Board. Finally, perhaps due to pressures from other employee groups and from their own rank and file, the union signed a second mediation agreement which

was not unlike the first one. This time the union's committee recommended to the rank and file that it be ratified, which was done; and the final settlement again was at a scale at the top of the industry.

As a result of the strike, Ozark sustained heavy losses even with the benefit of mutual aid payments of \$6,582,000. While these payments did enable Ozark nearly to break even for 1973, the company was deprived of a very substantial profit which it would have realized in the absence of the strike. This is well illustrated in the table comparing Ozark's actual net profit (or loss) for each quarter of 1973 with the same quarters of 1972 and 1974.

	1972	1973	1974
1st quarter.....	\$13,000	(\$406,000)	\$705,000
2d quarter.....	1,071,000	(100,000)	1,669,000
3d quarter.....	1,104,000	(912,000)	1,049,000
4th quarter.....	374,000	1,248,000	1,895,000
Total.....	2,562,000	(170,000)	5,318,000

Prior to the strike, Ozark had forecast a 1973 profit in excess of \$4 million. The reasonableness of this estimate is demonstrated by the fact that the other regional carriers showed total profits of \$29,300,000 in 1973 as compared to \$12,450,000 in 1972—a 90-percent increase. In fact, Ozark was the only regional carrier to show a loss in 1973.

Therefore, it would be a great mistake to assume that mutual aid permitted Ozark to profit by its strike. While mutual aid did help minimize Ozark's losses, the fact remains that the strike was very costly to the company.

I might point out in this connection that a major cost of any strike is during the period of uncertainty preceding the strike and, even more, the period of recovery after the strike.

Yet it is only during the strike itself that mutual aid payments are made. Note in the last table cited above that Ozark's losses before and after the strike were much larger than during the strike itself. (The strike was from April 19 until June 30, when mutual aid terminated, although Ozark was not able to resume operations until July 5.) This, too, points up the fact that while mutual aid defrays many of the costs of the strike itself, it does not compensate for the losses associated with the strike.

Thus, even with the benefits of mutual aid, strong incentives remain for a company to avoid a strike. But without mutual aid, companies such as Ozark would be at the complete mercy of the unions, and the public would suffer in the process. In short, I regard mutual aid as a bargaining tool to help bring about settlements that will at least permit airlines to remain viable.

In this connection, I might point out that while mutual aid was originated by the larger carriers, its continuation is even more vital to smaller carriers which are wholly lacking in the necessary resources to withstand a major strike. The history of labor negotiations in the industry demonstrates the fact that smaller carriers often are the targets of highly inflationary demands in the hope that any concessions from the regionals will have to be followed later by trunks.

Finally, I should mention one other important distinction between the regional and trunk carriers and which, in my opinion, has an

important bearing on the question before you: the regional carriers are subsidized by the Federal Government to provide service to small and medium-sized cities which otherwise could not support such service. In fact, there are 264 airports serving 356 cities where regional carriers furnish the only certificated air service.

Although a subsidized carrier receives no subsidy while it is on strike, there can be no doubt about the fact that the level of subsidy is substantially affected by the terms of collective bargaining agreements. At Ozark, for example, our labor costs represent about 47 percent of our total operating expenses. Thus, it goes without saying that the amount of the industry's subsidy need is directly related to our labor costs; and, in my opinion, mutual aid must be continued if we are to avoid totally disproportionate costs to the taxpayers in providing subsidized air service to small communities.

Certainly we have reached the point where it is most difficult to offset inflationary wage increases with higher fares. Our fares already are so high that we are forcing many people to drive their automobiles at the very time we are trying to conserve gasoline. This, too, is an even greater problem for the regionals than for the trunks, since the regionals generally serve shorter markets where the automobile is a more viable alternative and where, therefore, the fare levels are more critical.

For all of these reasons, I respectfully suggest to you that the mutual aid program is essential.

That concludes my written testimony, but I would like to add one point to it in response to—I understand I was also quoted yesterday—one sentence which was taken out of a letter which I sent to our shareholders on April 26, 1973, one week after our strike commenced.

And I think it is inappropriate to take one sentence out of a letter that standing by itself is meaningless to me. And if the chairman would permit, I would like to insert into the record the short letter that I sent to all the stockholders.

[The letter follows:]

OZARK AIR LINES
April 26, 1973,

TO OUR STOCKHOLDERS: As most of you undoubtedly know, a strike called by the Aircraft Mechanics Fraternal Association which represents our maintenance personnel has forced a shutdown of your Company's operations throughout its 15-state service area. All flights were cancelled April 20.

This is a most unfortunate—and unnecessary—situation. We have been negotiating with AMFA officials for over a year. Our final offer would yield the highest pay in the airline industry for both 1972 and 1973.

Three years ago, at a time when the company literally could not survive a prolonged strike, we were forced to pay our maintenance personnel a wage in excess of the highest in the industry. Now, we must correct this, bringing our people in line with the going rates in the industry.

In my opinion, one of the reasons for the company's ability to operate on a profitable basis the last two years is related to the new routes which we were successful in obtaining and have been operating on a successful basis in competition with various trunk carriers. For Ozark to agree to the AMFA's demands and pay a higher wage rate than any other scheduled domestic carrier would greatly endanger our ability to compete—a condition which we could not long endure. It would also severely hamper our ability to continue to acquire new routes.

Further, if we are to continue and expand our program of performing maintenance for other companies, we must have competitive labor rates in order to retain, and obtain, this business.

AMFA leadership has refused to submit our contract offer to a ratification vote of the membership, and we sincerely believe it would have the support of our maintenance personnel.

As a result primarily of the Airline Mutual Aid Pact, we do not anticipate suffering a loss of any significance during the strike. The adverse impact on customer relations and future business are matters which are being evaluated thoroughly so that effective marketing action can be implemented promptly.

We can only hope the union adopts a realistic and reasonable attitude—in the best interests of Ozark's employees, stockholders, customers, and the airports we serve. Your management will certainly make every effort to return the Ozark fleet to the skies.

Sincerely,

EDWARD J. CRANE, *President.*

Senator CANNON. Thank you.
Next, Mr. Lorenzo.

STATEMENT OF FRANCISCO LORENZO, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TEXAS INTERNATIONAL AIRLINES, INC., HOUSTON, TEX.

Mr. LORENZO. Thank you, Mr. Chairman.

My name is Francisco Lorenzo, president and chief executive officer of Texas International Airlines, Inc.

Having just ended the first strike in our 27-year history, a strike that shut down our operations for over 4 months, ended any prospects for profitability in 1975 and may, in fact, have endangered our very financial existence—we believe unfortunately, that we are uniquely qualified to address the issue before your committee today.

As background information, Texas International is a subsidized regional carrier serving 50 cities in the southwestern part of the United States and Mexico. Texas International had 1974 revenues slightly exceeding \$90 million and earned a bare \$400,000 even after Federal subsidy of more than \$7 million. We are one of the smallest and financially probably the weakest CAB-certificated carrier in the United States.

I became president of the company in mid-1972 after a complex \$35 million refinancing plan had been consummated. Previously, Texas International had lost \$20 million in a 5-year period and was on the verge of bankruptcy. The airline managed a modest turnaround and earned a \$300,000 profit in 1973. The progress continued during 1974 and the airline was finally within sight of becoming a viable entity.

Texas International began negotiations with the Air Line Employees Association (ALEA), representative of approximately 1,100 ground and clerical employees, in June 1974. The company's new management had previously negotiated five contracts without a work stoppage. The ALEA contract expired on August 1, 1974, and since no agreement had been reached on that date, talks continued into the fall under the direction of the National Mediation Board. By the end of November, just before the strike began, the company had offered the union a wage package amounting to approximately a 21 percent increase in wages over the life of the contract, plus substantial fringe increases.

In addition, Texas International sought the right to use strictly voluntary split shifts and the right to supplement the permanent work force represented by ALEA with part-time employees. This

is crucial to Texas International's return to viability, since at so many of its cities, particularly its smaller subsidized cities, we operate only a limited number of flights spread, generally too, throughout the day and evening.

It is important to note that during Texas International's financially darker days, both of these rights had been removed from our contracts and that most Texas International competitors enjoyed one or both of these efficiency advantages.

The ALEA position at that time was that the improvements in efficiency that TXIA desperately sought were not open for negotiation. It also demanded a wage/benefit package of about 50 percent over the life of the contract, including a decrease in the work day from 8 hours to 7½ hours, itself having a 8 percent immediate cost. Just before the strike deadline, ALEA actually raised its wage and benefit demands.

A strike before the impending holiday season was the last thing Texas International needed or wanted. We realized that a strike might well endanger the company's solvency, despite mutual aid. As the deadline approached, we increased our efforts to reach a settlement. We also trained all our management to perform many functions provided by the union in order to offset the strike's cost and provide at least some service to the cities who depend on Texas International in the event of a strike.

Indeed, after the strike was called and two-thirds of our employees didn't show up for work, we continued to operate the airline for 4 days with management, supervisory, and a number of nonstriking workers. We would have continued this partial operation, which was principally designed to serve cities that were otherwise without scheduled air service, even though it meant a substantial reduction in mutual aid, and an increased immediate loss, but after 4 days of partial operation, the ALPA organization, supposedly a sister of the striking union, decided to cease flying and we had no choice but to shutdown completely.

After operations were shut down, we realized that our losses would be intolerable, even with mutual aid, so we took several cost reduction steps including a management pay cut of up to 32 percent implemented after 15 days. Later we had to furlough larger numbers of management personnel as well as employees who had continued working during the strike.

In an effort to shorten the strike and its devastating effects, we tried once again in early February to mount a partial operation to several smaller cities that were especially dependent on our service. Again the ALPA union instructed its members not to cross the picket lines.

As the strike dragged on, we realized that our position in many markets would be seriously affected and that it would be difficult to regain our post-strike position after the strike. Ultimately, we were forced to reduce our poststrike schedules by about 20 percent and to make a corresponding cut in our employee complement.

Now that this strike is behind us, where are we? First of all the contract that was signed with ALEA now allows us to hire part-time personnel, offer voluntary split shifts, provides wage increases of about 23 percent over the life of the contract, 33 months, and maintains 8 hours of pay for 8 hours of work. We have calculated that the contract as signed will result in costs to Texas International of about

\$1.0 to \$1.4 million per annum less, by the end of this year, than the contract that the union insisted on prior to the strike.

I might add that that does not include the leap frog effect on the other four expiring contracts that we have over this same period.

However, Texas International's financial viability has also been seriously compromised by the strike. The threat of a strike in November cost us hundreds of thousands of dollars, even before the strike began. Our strike period loss itself will exceed \$1 million, even after mutual aid, and now in April, the first month of resumed operations, we will likely have the largest monthly loss in our history—probably exceeding \$1.5 million.

I might add that in the first quarter, while we have not reported our results yet, we anticipate we will be reporting a loss in the \$750,000 area which exceeds the loss we reported last year.

This loss, plus the previous strike losses and what we expect over the coming months will halve the meager stockholders' equity that had been built up over the last 2½ years. Just last week, Texas International was forced to convene a quick meeting with its principal senior creditor, in order to discuss the company's critical cash position and impending grave losses. It is clear in retrospect, that even with mutual aid, the decision to take a strike was a decision to risk the solvency of the company. But we had no choice, for acceptance of the union's demands would inevitably have prevented our small airline from ever attaining financial viability.

Senator CANNON. If I may interrupt for a moment, I will let you go on and complete your statement. I have to go over for another vote. When you have completed your statement, we will recess until 2 o'clock, and then I'll proceed with the questions.

Mr. LORENZO. Our recently ended strike has demonstrated beyond any doubt that the airline mutual aid pact is essential to avoidance of a totally imbalanced system of collective bargaining within the airline industry and that it is the only tool available to airline management to resist unreasonable union demands and inflationary labor settlements.

It has also demonstrated that carriers do not make money while on strike, but, in fact, continue to suffer the strike's effects long after the resumption of operations. Finally, it has demonstrated that without mutual aid, a carrier like Texas International has no real ability to resist union demands and would have to accept any demand that the union is willing to enforce by a strike.

As long as unions can gang up to close down even the smallest and weakest airline, I submit that it is highly inequitable and contrary to public policy to permit those same unions to deny airline management access to the only means of self-help available today, the airline mutual aid pact.

Thank you.

AFTERNOON SESSION

Senator CANNON. The committee will come to order.

Mr. Ignatius, yesterday there was considerable testimony on the 1969 change in the pact which increased supplemental payments of the carriers; above the level of continuing operating costs which results in a situation which allows a carrier to earn a profit during the shutdown of operations, I'd like to ask you if it is true that the airlines

can show a real profit during the course of a strike, and if so, isn't that an unfair advantage in the bargaining process?

Mr. IGNATIUS. Mr. Chairman, we don't believe from the figures I have, studies that we have made of this and from reviewing the studies that other bodies have made of this, that any carrier has ever profited from a strike. The post-strike losses and the pre-strike losses, for which there is no mutual aid—during which there is no mutual aid payment made, more than compensate for what is received, and since the inception of the pact in 1958 until the present time, what the carriers have received in mutual aid payments has amounted to roughly half of what the costs were as a result of the strike.

We don't think any carrier has ever profited from a strike. And we think that the evidence is persuasive as to that. There are instances, Mr. Chairman, where a carrier has been able to report a profit during a strike, that is to say, during the strike period itself. We do not regard those as the true costs of the strike, they are not the true or real costs.

So I think part of the discussion that we have had yesterday and again today is looking at the total situation, that is to say the losses associated with the totality of the strike as opposed to the strike period itself.

Senator CANNON. Now, testimony from some of the labor representatives yesterday indicated that under the present terms of the pact there was little incentive for management to quickly settle the strike, particularly during periods when an airline is losing money or during a slow traffic period, and that with the mutual aid pact payment the carrier could choose the most propitious time for ending the strike. Does the pact give management an incentive to delay the strike?

Mr. IGNATIUS. My observation there, based on discussions with carriers and with our counsel who has been with the mutual aid pact for more than a decade, is that the longer the strike goes on the more difficult the post-strike recovery period is, so that there is an incentive to settle and to get back in the air.

There are instances where there is high seasonality in a north-south carrier or an east-west carrier, and that may have some bearing in a particular instance on the situation, but the general circumstances, I believe, Mr. Chairman, is that the carriers do not want a strike at the beginning, they want to get it over with once it is started, and the mutual aid pact represents simply an insurance policy, so to speak, to spread the risk of the strike and the cost of the strike across a broader base than the particular carrier undergoing a strike.

Senator CANNON. I think both Mr. Lorenzo and Mr. Tillinghast were charged by labor yesterday with delaying settlements until a most advantageous time because of that type of situation.

Mr. Lorenzo, do you want to comment on that?

Mr. LORENZO. Mr. Chairman, let me say that our strike started just before the Christmas period and December is one of our best months. January is an average month. February is a poor month. March turns around again to be one of our best months. If Texas International waited until the most propitious time to settle its strike, then management has a lot to account for missing Easter, which is our best traffic of the year.

Senator CANNON. So you missed your greatest peak period then?

Mr. LORENZO. That's correct.

Senator CANNON. Mr. Tillinghast.

Mr. TILLINGHAST. Well, Senator, I would say somewhat the same thing. Our strike was going on in November and early December when the Christmas holidays were coming up, and we obviously were losing potential Christmas traffic every day that this strike went on. And if we had had our way, we would have settled it before it started and we would have settled it the earliest—we did settle it the earliest date that we could settle it after it got started, and we certainly had no interest in prolonging it.

Senator CANNON. The weight of the testimony yesterday indicates that airline strikes have increased in length since the advent of the pact and particularly since 1969 the strikes have been extremely lengthy. We have been trying to ascertain whether such strikes were lengthened by the mutual aid pact or by other factors or by a combination of both.

Mr. Ignatius, would you discuss the strikes since 1969 in terms of their length and relationship to mutual aid payments?

Mr. IGNATIUS. Yes, sir. From the data that I have seen and heard reported yesterday, I believe one thing is clear, and that is that the strikes since 1969 have been longer.

Now, the precise amount of time is at variance. We have studied the ALPA statement, for example, and the backup material that was included in that seems to present a different total figure than what they reported, and we will study that in more detail. If I heard Senator Gravel correctly yesterday, and I may not have, I was in the back of the room when he was testifying—I believe I heard him say that the strikes averaged something on the order of 115 days. But if I heard him correctly, I think he said there were two short strikes, one of a day and one of 2 days, that weren't included in the base.

Well, if that's the case, the 115 figure would be a good deal lower. Our own figures show that in the period from 1969 to the present the average length of strike through 1974 is 61 days.

Now, the point I want to make, Mr. Chairman, is that whatever figure you use, it does appear that the strikes since 1969 have averaged a greater length than prior to that, and we think somewhere around 61 days, but that's a greater figure than what occurred before.

Now, the question is what is the cause and effect relationship? Is it because of the mutual aid pact which was amended or is it for some other reason? And it is our contention from the examples that were included in my testimony, that the reasons that accounted for these longer strikes had to do with the collective bargaining situation, that is to say that the demands that were made on the one hand and the reluctance of the carriers on the other hand to meet them at the levels that were placed upon them, and that those were the reasons why the strikes were prolonged rather than the mutual aid pact itself or as it was amended at a later point.

Now, beyond that, I would like our counsel, Mr. Miller, to comment on this very important question.

Senator CANNON. Mr. Miller.

Mr. MILLER. Mr. Chairman, this question of what was the cause of the longer strikes was given large consideration in the CAB proceeding and a great deal of evidence was offered, which the unions had an opportunity to review and to submit their own statements in response. One fact that appeared was that a number of these

longer strikes involved ground employees, particularly agents and clerical workers, and they occurred at a time when the Teamsters Union was engaged in an effort to replace other unions which had then held bargaining rights at a number of airlines. That was a successful—this is sometimes referred to as a raid. And this effort to raid and take over the representatives of these employees was successful and the Teamsters had displaced B-R-A-C, BRAC, at Pan American and at Braniff, and had come within a whisker of doing so at Western Air Lines, where the BRAC people had threatened a strike in effect to try and get a very high settlement to resist the takeover at the same time by the Teamsters.

Then the evidence showed that the Teamsters were then approaching Northwest and National, to try and replace the BRAC union at Northwest and the ALEA union at National. And this pressure from another union caused the union on the premises to increase the demands in order to win the kind of settlement that would allow it to go to its members to show that they should stick with the incumbent union.

Now, it's factors like that, that were brought out in the CAB record, which explain the length of these longer strikes and show that mutual aid was not the cause of them.

Senator CANNON. Yesterday it was argued that airline wages have been rising rapidly over recent years, faster than almost any other industry, primarily because of the increased productivity of the airline workers. Would you comment on that productivity issue, particularly since 1969?

Mr. IGNATIUS. First, we have 300,000 men and women in this industry who are highly skilled, dedicated and able people, and I think it is important that I say that, and that others say that, because we recognize that and we recognize the absolute importance of these professional employees, members of unions and otherwise, in our industry. The industry has had, particularly during the early 1960's, Mr. Chairman, a very favorable productivity picture, one of improving productivity in substantial part attributed to the advancing technology, particularly the introduction of the jet engine and the aircraft associated with it. I think that the employees can justifiably take some credit for this increased productivity and their desire to share in the improved productivity is a desire that unions typically argue, and with merit.

But I think it is awfully important, Mr. Chairman, to say that this advancing productivity in substantial measure has been the result of the new technology that's become available through the inventiveness of the engine manufacturers, the inventiveness of the aircraft manufacturers and the ability of the airlines to make the enormous investments to obtain these new aircraft. We are in effect putting more productive equipment in the hands of our employees. That aspect of productivity is sometimes overlooked and it's of critical importance in a high technology industry such as the airline industry where the demands for capital are so overwhelming.

Mr. Miller has a further comment on that also.

Senator CANNON. I think Mr. Miller commented on the cost for the pilots this morning compared to the seat miles, or perhaps it was you.

Mr. MILLER. I commented this morning, Mr. Chairman, on the comparison of pilot wages to available ton-miles. The figures that I

have were the same figures that were used by Mr. O'Donnell in his testimony, except that we did not take just pilot wages, salaries, but also included pensions and the other costs that are associated with the pilot employees. And the figures show that between 1970 and 1973 the cost per available ton-mile for pilots went up approximately 20 percent. In other words, the increase in the pilot compensation rose 20 percent more than the increase in output of the airline, measured by available ton-miles.

In 1974, the pilot costs went up another 10 percent in relation to our available ton miles.

Now, Mr. Tillinghast showed me some figures here which are based on all wages, not just pilot wages, in the industry, and they show a curve line substantially upward, and total wages per available ton mile in the domestic airline industry beginning in 1969 and moving up until through 1974, the increase on a scale from 80 to about 115 as an index, and that would represent an increase of more than 35 percent in labor costs per available ton mile. So for every unit of output the increase in the airlines' labor costs was 35 percent over what it was 5 years ago.

Mr. IGNATIUS. You don't see that on the chart in the basic ALPA statement, because of the scale of the chart, that line is going up, but you don't see it and it goes up as Mr. Miller said at about a 19- or 20-percent rate.

The other brief comment I would make is that we have made an extensive study of productivity in our industry. We did it—I think it was a couple of years ago—and it showed that whereas in the mid-1960's productivity was increasing at a more rapid rate than cost increases and therefore a favorable situation, that is not the case now and the gap is widening. It's a matter of concern to all the individual airlines as well as the industry as a whole.

Senator CANNON. How would you view legislation that instead of abolishing mutual aid would put limits on the financial benefits paid to the struck carrier?

Mr. IGNATIUS. I would think, Mr. Chairman, that the members of the pact would not view that with favor. And let me tell you why. We have presented what we believe to be persuasive evidence that the present payments from the mutual aid pact recover only about half of the true costs of the strike, and therefore were a limit imposed which had the effect of reducing in any significant way the payments that now are made from the pact, then we don't believe that the pact would fulfill its purpose, which is designed as insurance to provide protection against financial loss. Therefore, we think that the level of payments that are now provided by the pact through the two types of payments that are made represent a balance between the financial risk on the one hand and the payments on the other hand, and we believe that—we believe that the pact as it is presently designed should go forward at its present level.

Senator CANNON. You have a chart on table 9 of your statement relating to low and high rates for captain's compensation. I questioned Captain O'Donnell some on that yesterday and he seemed to raise some questions as to the accuracy of it. I wonder if you would explain just what that chart says.

Mr. IGNATIUS. Yes, sir. What that chart says is that as of November 1, 1974, that's the date of the chart, those bars show the low and

the high salary and fringe paid to captains in domestic operations by principal type of aircraft, and they also show for 1976 what the same salary, plus fringe, will be by the same type of aircraft.

Now, this data was obtained by our financial staff and from a review of carrier records and contracts in existence. They looked at existing contracts and there were a number of them that they considered, and out of these contracts they simply took the low figure, the high figure, and then from the contracts included in the third bar what you see for each aircraft type, what the combination of salary and fringe will be in 1976, based upon existing contracts.

Senator CANNON. Well, now, these then are actual contract figures rather than actual pay received figures?

Mr. IGNATIUS. To the best of my knowledge, these are actual contract figures obtained from a review of the contract. I believe that was how this data was obtained.

Senator CANNON. And that indicates then that a captain on a B-747, the lowest pay is \$64,500—

Mr. IGNATIUS. In salary.

Senator CANNON. In salaries. And when you add fringes it comes up to \$82,020.

Mr. IGNATIUS. That's correct.

Senator CANNON. And the high pay is \$71,300 salary which with fringes goes to \$90,900?

Mr. IGNATIUS. That's correct.

Senator CANNON. And that when you take the contracts that are now signed for 1976, the pay would be \$81,200, and with the fringes \$103,500?

Mr. IGNATIUS. That's correct, Mr. Chairman.

Senator CANNON. And that same type of explanation would apply to the 727 and the DC-9 charts that you have shown me?

Mr. IGNATIUS. That's correct. There was a question raised yesterday, Mr. Chairman, that you alluded to by implication, I think, in your comment to me a moment ago, when you asked whether these are what was in the contract or what was actually paid. I think that came up yesterday. Mr. Miller is prepared to respond to that if you would like him to.

Senator CANNON. All right, sir. Mr. Miller.

Mr. MILLER. Mr. Chairman, because the contention was made that you should look at the W-2 forms to find out actual compensation, instead of looking at the contracts to find out averages, it happened that someone from Northwest Airlines was here yesterday and I asked them to make such an inquiry. He reported back as follows.

In 1974, the average pay, that is W-2 forms alone, just salaries, for the top 10 pilots on Northwest Airlines averaged over \$66,000. That's the amount that was reported on the W-2 form. This is based on a computer printout. When you add the fringe benefits to the—including mostly pension payments—to the salary levels that were reported in W-2, the average of these top 10 pilots goes over \$82,000 in the year 1974. Over 30 percent of all the pilots on the Northwest payroll showed wages on the W-2 form of more than \$40,000. And of course that's also before pensions and other benefits which represent something like another 22 percent. Thus, 30 percent of the Northwest Airline pilots in the year 1974 had compensation of near

or in excess of \$50,000. That's in the year 1974. And I think those figures are typical of the industry as a whole.

Senator CANNON. On table 6 of your chart, you indicate the increase in the airline average employee compensation versus increase in the U.S. consumer price index and airline fares. Would you explain that chart to me?

Mr. IGNATIUS. Yes, sir. There are three columns in the chart, the index is 1967, the base year, and we trace in the first column airlines' employee compensation in the period 1967 through 1974, with the base year at 100, 1967, and the increases are 83 percent, 182.8 over the base figure of 100. The second column shows by way of comparison the U.S. consumer price index over that same period of time. Again, beginning with the base year, 1967, it is 100. And the CPI—consumer price index—has gone up 43.6 or approximately 44 percent or roughly half the rate at which airline employee compensation has risen as shown in the first column. The third column by way of contrast shows what's happened to average revenue yield per mile in the airline industry, and again with 1967 as a base year, we see that fares have risen approximately 28 percent in that period. So the chart then shows three things. First, that average employee compensation has gone up in that period of time 83 percent, the cost of living index—the CPI—has gone up roughly half that or 44 percent, and airline fares in that same period have gone up 28 percent.

In other words, I think this shows clearly that in a period where the rate of inflation in the United States has been a very serious matter for all citizens of our country and for Government policymakers, that airline employees' wages not only have kept pace but have gone up almost at twice the rate that the cost of living has gone up as measured by the CPI.

Senator CANNON. Now, what is the source of those figures?

Mr. IGNATIUS. The source of the data on airline compensation and revenue yield per mile is the CAB form 41, which is the comprehensive reporting system that the CAB requires of the carriers on which they submit voluminous data in a number of areas. The source of the consumer price index is Government data as published in the Monthly Labor Review.

And the Bureau of Labor Statistics, I believe, is the Agency in the Government that compiles this data.

Senator CANNON. I suppose this is a somewhat academic question because of your position, but I asked it in reference to some of the people yesterday, and that is if Congress were to determine that we would prohibit the Mutual Aid Pact, do you think from the standpoint of fairness it would be necessary for Congress to likewise prohibit the self-help provisions on the part of the labor people?

Mr. IGNATIUS. My impression has been that self-help measures traditionally have been allowed to both labor and to management, and if the airline industry were singled out among all industry as being denied an opportunity for self-help, and particularly within an industry that needs it most because of the nature of the structure of labor and management in our industry, then it would seem to me that fairness might very well require that self-help measures available to the union with which the carriers must bargain should also be denied.

The point of the mutual aid program is to try to provide a means of insuring against loss, it is a self-help measure in order to spread the risk of financial loss, and if it is denied to the carriers, while at the same time the self-help measures that the unions can avail themselves of continue, then the disparity at the bargaining table is greatly increased, so that it would seem to me that evenhandedness would require the prohibition of union self-help if it were to be denied the airline.

Senator CANNON. Let me ask Mr. Lorenzo and Mr. Crane, perhaps both of you, if you were to undergo a strike without the benefit of the mutual aid pact, would you be able to keep your company as economically viable and sustain such a strike without capitulating to whatever demands were made?

Mr. CRANE. Well, my testimony has already indicated it would be next to impossible for us to sustain a strike without the insurance protection of the mutual aid program, regardless of how unreasonable the demands, as we did in 1970, we would have to capitulate and give into them. There would be no way that—the financial base is not strong enough without this support.

Senator CANNON. Mr. Lorenzo.

Mr. LORENZO. Mr. Chairman, Texas International is replete with a number of instances where Texas International was faced with zero bargaining position. I mean with and without mutual aid. We only have to look at our current—our recent strike to notice that Texas International despite mutual aid suffered substantial losses during the strike period, is now suffering substantial losses after the strike period, and is now working with its bankers because of the strike. It is unable to meet its own debt obligations.

So without mutual aid it would be unthinkable.

Senator CANNON. Counsel has a question.

Mr. GINTHER. Mr. Miller, let me direct this question to you. Have you and your associates examined the legislation, S. 306, which is before the committee from the constitutionality angle insofar as it appears to single out one industry, the airline industry, for denial of self-help; and, if you have, what is the opinion that you reached on that question?

Mr. MILLER. Mr. Ginther, we have looked at that question in a preliminary way. I have not written a formal comprehensive opinion. What we have done on the issue so far seems to suggest to us that there is a very substantial question as to whether it is proper to single out one industry and prohibit it from conduct which is available to any other industry in the country, particularly where the facts and circumstances do not warrant special treatment of that one industry.

We have a situation, for example, where the Railway Labor Act applies to two industries, railroads and airlines. Both of them happen to have roughly similar forms of strike insurance—partial strike protection. Theirs is called a strike insurance arrangement. Ours is called mutual aid. But the differences are less in substance than in form.

If the Congress were to prohibit the airline struck to utilize mutual aid but not the railroads, for example, that would seem to be to me to raise the question most acutely because you would have two situations

facing each other and there would be a very serious question as to whether that would be proper legislation.

Senator CANNON. Senator Hartke?

Senator HARTKE. I don't know who wants to answer this, but let me ask you: Isn't it true in strikes that there are always competing financial losses, one of them is on the management side and one of them is on the workers' side? Is that true?

Mr. IGNATIUS. Yes; I think that is true.

Senator HARTKE. All right. The difference is that on the workers' side it is a human loss.

Mr. IGNATIUS. As well as——

Senator HARTKE. Whereas on management side it is a paper loss.

Mr. IGNATIUS. Well, I think—there is an economic loss on the workers' side also; is there not?

Senator HARTKE. Well, as president, what is your salary? What is your salary?

Mr. IGNATIUS. We don't report our salaries.

Senator HARTKE. You don't report your salaries. Well, why not?

I mean you are out here in the position of being a public institution. Why won't you report your salaries?

You are talking about how high the airline pilots are paid. Their salaries are all public. Every employee of your outfit out there that is on strike against you, his salary is public.

Mr. LORENZO. Senator, may I say something?

Senator HARTKE. Will you speak so I can hear you?

Mr. LORENZO. Sorry.

Texas International is a public company and we do disclose our salaries, and my salary is \$68,000.

Senator HARTKE. How much?

Mr. LORENZO. \$68,000.

Senator HARTKE. Let me ask you a question. If the strike occurs, do you lose your salary?

Mr. LORENZO. If a strike occurs, Senator, no, I don't automatically lose my salary.

Senator HARTKE. All management keeps——

Mr. LORENZO. May I finish my answer, please?

Senator HARTKE. Yes.

Mr. LORENZO. No; we don't automatically lose our salary. In our particular strike, after 15 days, it was so clear that the losses would be so enormous that we voluntarily cut management salaries and mine was cut 33 percent.

Senator HARTKE. But you voluntarily did that. If an employee of an organization goes on strike, they can't say they will take a voluntary cut in their pay or continue to get their pay while the strike goes on. Their economic loss is human.

Mr. LORENZO. But, Senator, in our case they then had the opportunity to go out and get other employment, as many of our people did.

Senator HARTKE. On your side, you can voluntarily relinquish your job as president and go out and get another job, too.

I mean, you know, what you are trying to tell me is that there is equality of bargaining here versus a corporate enterprise which is a legal entity and there is nothing wrong with that, against a human who is our working for a living.

The fact is that this is the very essence of the right to strike and what you really in substance are arguing against is the right to strike and that is implicit in the statement made here by our distinguished Mr. Ignatius, in which he says that the purpose of the Mutual Aid Pact is to protect you against economic loss.

Mr. IGNATIUS. Yes, sir, that's correct.

Senator HARTKE. That is it. The essence of a strike is very simply that the thrust of a strike is to provide for economic loss as a bargaining unit to provide for settlement of a dispute.

Mr. IGNATIUS. At some considerable length in our presentation, Senator Hartke, we point out that this strike insurance program in effect, which is what the mutual aid is, covers only a portion of the strike losses, and we have shown data in the statement from the inception of the pact through 1974 which shows that the payments have covered only roughly about half of what the strike period losses were.

So it is an insurance program to reduce the risk to a particular carrier just as any insurance program spreads the risk.

Senator HARTKE. I understand that. I understand what the situation is. I don't think anyone really misunderstands what the whole purpose of the element is. It is very simply to have mutual aid among carriers, period. Its name is implicit in what it is trying to do. But it creates an unfair advantage.

Mr. MILLER. What is the unfair advantage, Senator?

Senator HARTKE. That is the problem. The problem is if you want to have that as public policy, that is what you can do. On the other hand, there is also a bigger public policy, and that is if the situation creates such an imbalance, should the airline industry be nationalized? That is a public policy question, too.

Mr. IGNATIUS. First, we believe that the purpose of the mutual aid pact is to attempt to restore some of the balance that was needed and that was lacking before, and, second, I would not want to see the airline industry nationalized.

Senator HARTKE. I understand that. Nor do I. But I am saying if you are going to nationalize it as far as a strike is concerned, that is what you really do, you create one big industry. That is what happens in a mutual aid pact, you nationalize. You create one national entity as far as the airline industry is concerned. And you go over and take that out on part of the people who are employees on just one segment while all the rest of it keeps on operating over here.

Now, that is the point. That is like saying that you can have a strike, and this is why you have picket lines around a plant.

The reason the picket line is there is to encourage people not to go in and conduct business while there is a strike going on.

There isn't any question about it. If you can have one division of a plant go on strike and all the rest of it keep on operating, the plant can probably ultimately break the strike.

If you keep the mutual aid pact going, then it is to your advantage to keep on breaking the strike. It amounts to a strikebreaker operation.

I would hope that the airline industry, before it comes in here with all its problems again—and I want you to know that I was willing to vote and did vote contrary to most of the majority of the Senate for aid to Pan American—I just want to point out repeatedly—I am not one who is anti-industry, but I am opposed to these policies which

create a discrepancy, which create an imbalance to society because of the temporary gain. I think it is a temporary gain. For a long term loss.

I don't mind telling you that I have been meeting with the railroad people and you are just one step away from them. You are following the same pattern basically. You have got the same problems. You want to dump all of it—pass your services, generally speaking. That is the way the railroad started. You want to keep the freight if you have your choice. In the long run, that would be it. Then you come in. I have got the railroads, now you have got the problem in the Commerce Committee with the Rock Island out there. The Penn Central. And you name it.

Now we have got Pan Am, and I can see where TWA had its biggest strike—

Mr. TILLINGHAST. Indeed.

Senator HARTKE. And if—

Mr. TILLINGHAST. I might say, Senator, when the employees have their highest wages—

Senator HARTKE. Well—do they make as much as you do?

Mr. TILLINGHAST. On an hourly basis, yes; the pilots make more.

Senator HARTKE. All right. I am not arguing whether you are meritorious or they are meritorious. I don't know about those merits.

One of the problems we have right now, Penn Central is in bankruptcy and what do they do, they raise their salaries up, in other words, another \$100,000 a year, while they are coming in and asking for aid from Uncle Sam.

It is pretty hard for me to come in and defend that type of operation.

Mr. IGNATIUS. I would think it would be. But wouldn't you want us to exercise all the self-help we can before we ask for help from the Congress?

That is a self-help program that the carriers have voluntarily entered into in order to spread the risk of financial loss on strike, the self-help program.

Senator HARTKE. If you want to buy strike insurance, that is what you are saying this is.

Mr. IGNATIUS. That is what this is, essentially. Here is the counsel who has been associated with this pact for upward of 14 or 15 years and I believe that is the way he would principally characterize it. He can speak for himself.

Senator HARTKE. I think you have got the votes to protect your interests on the committee. I don't think you are in any deep trouble. All I can suggest is a move in a different direction to take away the tax subsidy.

Mr. IGNATIUS. The tax subsidy is limited to the local service airlines. We have the chief executives of two local service airlines here, Mr. Crane—

Senator HARTKE. The payments you make are tax deductible, are they not?

Mr. MILLER. No. As a matter of fact, quite the contrary, Senator. This mutual aid agreement helps to save taxpayers' money in subsidy and otherwise.

Senator HARTKE. Are you a tax lawyer?

Mr. MILLER. I know the answer to your "question" you asked.

Senator HARTKE. Then I am asking you: the contributions to the Mutual Aid Pact are treated as a business expense, are they not?

Mr. MILLER. That's correct.

Senator HARTKE. That means that they take away that item, they take away that tax subsidy in business; is that right?

Mr. MILLER. No. That is not true. Because the taxes are paid on those dollars. Every dollar of payments is taxed. They are taxed in the hands of the carrier who receives them. Unlike some—

Senator HARTKE. How much is in the fund?

Mr. MILLER. There is no fund, Senator. There is no fund.

Senator HARTKE. In the pact itself there is no money set aside?

Mr. MILLER. There is no fund, sir.

Senator HARTKE. Is it set aside?

Mr. MILLER. No, sir.

Senator HARTKE. It is not treated as a tax deduction until it is paid out?

Mr. MILLER. That's correct.

Senator HARTKE. I will take a look at it. You may be right.

Mr. MILLER. I want you to know, Senator Hartke, because I know you are taking a serious look at this and there are points you would be interested in—the fact of the matter is when local service carriers receive mutual aid funds that is taken into account by the CAB and their subsidy is reduced accordingly.

But when they pay mutual aid to other carriers, the CAB ignore that payment for subsidy purposes, doesn't treat that as an expense. So that the result of mutual aid is that there is less subsidy paid to local service carriers than you would have if you had no mutual aid.

Senator HARTKE. I will take a look at it. If you are right, you are right.

Senator CANNON. We might ask the two gentlemen there to comment, the two local service carriers.

Mr. CRANE. There is not much more we can add to that comment, that the payments we make in mutual aid that are paid to another carrier are not allowed in the calculations for the Federal subsidy that we receive.

Senator HARTKE. Take a second look at this. I just think industry is making an awful bad mistake. I think you are trying to run roughshod and you just don't get any place that way.

Mr. IGNATIUS. We certainly appreciate your comment. And I would hope also that our attempt to set forth the facts as accurately as we can make them and to provide the data as accurately as we can obtain it will have at least some effect in showing that this is a necessary self-help program and that it doesn't involve any overreaching on the part of the carriers.

And I said this morning, Senator Hartke, when I was testifying, that I thought the proof of the pudding was in the eating here.

Our employees have done very well in their compensation as compared to other industries. I recognize that they are highly skilled and talented and dedicated people and merit—in many areas of our industry they should earn more than what people in other industries make.

But having made full allowance for that, I believe by any reasonable standard nobody can say that the employee groups in the airlines have

suffered as a result of mutual aid. Their wages have gone up higher than the consumer price index. Their wages rank No. 1 among all industry groups in the country.

The settlements that have been reached and are being reached continue to provide substantial payments.

I said to the chairman this morning at the outset of my testimony that we hoped to have someone from National Airlines here in the audience, but he wasn't able to be here because they have just completed negotiating another contract and this contract provides very substantial wage increases without a strike, and this is the case in most instances.

Out of some 99 contract situations in the last 2 years, Senator, 94 have been settled without a strike. There have only been five strikes.

We regret those strikes. They are costly to the airlines. I am sure that our employees regret them. But it doesn't happen very often. And settlements that are reasonable, indeed excessive by many standards, have been reached, and what this pact attempts to do as a self-help measure, voluntarily entered into by 16 of the 26 scheduled carriers, is a means for industry to spread that risk so that they would not have a loss they couldn't bear.

Because, in the last analysis, that is what is really devastating to employees and stockholders and the public who needs and depends upon scheduled air transportation.

So that while—and I hope this hearing that Senator Cannon and all of you have held will provide a better opportunity to see what we believe this is, that it is a necessary—that it is a necessary adjunct to an industry like ours that is so particularly vulnerable to strikes, and that it does not represent an overreaching or a complete assault upon the process of collective bargaining as was contended yesterday.

Senator HARTKE. I think that any industry would tell you that if they have a strike they are vulnerable to a strike, that is the essence of a strike.

Now, Paul, you know, you are an old expert in this business. Now, you color a pretty good picture. But you know as well as I do that what you are doing is you are taking an economic weapon and using it to prevent the strike.

The mere fact that you have the Mutual Aid Pact is a deterrent to a strike. And being a deterrent to a strike means very simply that you balance the scales against the possibility for a strike. And since you have done that you really in essence have done violence to the theory which at this moment at least is still a theory of the American society, that the right to strike is a right, not a privilege, not one which is supposed to have special favoritism from the Government.

Now, I guarantee that if you go to the public and the newspaper publishers themselves, as you have indicated, they fathered right-to-work laws, all of the prohibitory legislation on working people.

But generally speaking—I mean if you want to do violence to that, that is one thing. But I am not here to discuss the wages. I am not here to negotiate a decision. What I am saying is the mere fact that you have a Mutual Aid Pact that you use an economic weapon which is far beyond that which is ordinarily contemplated in the dispute between an employee and his employer.

Mr. IGNATIUS. The carriers felt in 1958 that they were so vulnerable—and we have had testimony from Mr. Crane and others that gave specific examples to illustrate this—that some kind of self-help to spread this risk was necessary, and our data also presented the amount of the payments on the one hand, Senator Hartke, against what the strike losses were, and, as I say, it amounts to roughly half.

So that no carrier has ever profited from a strike. The Mutual Aid Pact has helped to bear this burden, but it has not enabled a carrier to profit from a strike.

Senator HARTKE. You see, I am not so much asking you whether you profited from a strike—if you did, I think it is remarkable, I have to admit. But the fact of it is you should suffer if there is a strike. And you are preventing that suffering. You should suffer as much as a corporate—you can shake your head out there, but I will tell you you should suffer as much in a strike economically as the individual who suffers and goes home and faces his family without his paycheck.

There just isn't any reason why you should not suffer to the same extent.

Now, if you say that you don't want to suffer to that extent—I agree with you. Let me tell you a strike is not a pleasant expedition. I have seen companies absolutely go out of business because they could not get together, the union and management ultimately agree, and you talk about dissolutions, sure, ultimately the vulnerability is there, but without that vulnerability the balance is not fair.

I would hope that industry would see that you could keep on running this thing in the situation to the place where ultimately you pile up enough people in opposition to you that you combine those who are disenchanted with our society already, and you wonder why the corporate image is not very good, and I will tell you, this is one reason.

You can put this down.

Now, I know that if you meet with your board of directors they will say we don't understand it, but the people understand it. They just understand that something is not right. And a bunch of airlines can get together and gang up on the employees of Texas International. That is what happened.

If you think that you can go and clinch the atmosphere of the feeling of somehow ripping off the American people, I just think you are heading in the opposite direction.

You blew the corporate image if you went back into the situation where you said we are not going to put ourselves in a position to take advantage of those people who work for a living.

Mr. IGNATIUS. We don't think we are taking advantage.

Mr. Miller, I think, wants to comment.

Mr. MILLER. Senator, I want to comment on two points you made in your statement. One is that in the last 15 years—strikes were always called by unions, by the way, never by airlines—

Senator HARTKE. Strikes what?

Mr. MILLER. Strikes were always called by unions.

Senator HARTKE. That is historically true. I have never heard of a company calling a strike yet. What is remarkable about that?

Mr. MILLER. Well, it goes to the question of whether companies are willing to have it.

The point I want to make——

Senator HARTKE. Wait a minute. I mean what is the essence of the statement that the strike is called by employees and not by the company?

Mr. MILLER. The point I am making is that the employees elect to call a strike. It is a decision made by their union group and sometimes by the employees themselves. So they have made a decision to go on strike to win greater demands than they can obtain at the bargaining table from the employer.

It goes to the issue of suffering. In this industry airlines have suffered losses from strikes of \$700 million in the last 15 years. Now, about half of that was covered by mutual aid, although when I say covered, I just meant payments from other carriers, not from any outside insurance company.

So that is a lot of suffering by a lot of companies who are engaged in public service and whose ability to provide public service is reduced as a consequence.

I have not measured and I don't know anybody who has measured the amount of wages lost by the employees.

Senator HARTKE. It exceeds that, doesn't it?

Mr. MILLER. I doubt it very much, sir. I doubt it very much.

Senator HARTKE. You don't think the loss of the unions exceeded that of the management?

Mr. MILLER. I don't think so, sir. Not that kind of money.

Senator HARTKE. I would imagine percentage-wise to most of the employees it was higher.

Mr. MILLER. I doubt that. But I don't have any record.

Senator HARTKE. His suffering for his family meant he didn't even have enough for him to go downtown to get a hamburger, french fries, and a milkshake while others have a martini and a nice steak.

Mr. MILLER. I don't know of any cases like that.

You know, I do want to say——

Senator HARTKE. I am saying the martinis and steaks go on as far as the management is concerned. But the hamburger, fries and shakes go off.

Mr. MILLER. Management employees have been fired. For those employees, no martinis or steaks go on. But everybody gets hurt by a strike. I am not trying to suggest workers don't. Of course workers get hurt by a strike.

I want to take issue with one thing you said about the theory of our labor policy in this country is that airlines should suffer by a strike and any move they can make, any step they take jointly to resist the effect of a strike is contrary to our labor policy; I think that is not true.

I think the whole theory of our labor policy is exactly the opposite; that is what the Supreme Court has said, it is not up to the courts of this country to decide what weapons a party to a labor dispute, management or labor, can bring to bear in a dispute.

I think that the committee would be properly concerned if you could conclude on the facts of a case that because of certain moves made by industry that there were no pressures to settle disputes, and they could just wait out indefinitely a strike, not being hurt at all, you would have a proper concern.

But I don't believe there is that same concern, and the record shows, as it does here, how much damage airlines suffered in terms of their ability to remain a viable entity, stay in operation, to continue to provide jobs after the strike is over, to continue to provide public service to customers after the strike is over, at fare levels that the consumers of this country can pay.

Now, the record shows that despite mutual aid, airline unions are still able to win settlements, obtain increases in their pay, which is already the highest in the country, increases twice as high as the increase in the cost of living which is rising at the fastest level in history.

Now, that tells me that airline unions are not suffering because of mutual aid.

Senator HARTKE. Isn't that a question, though, for you in a free enterprise system to set up between the two of you and not come here and make that argument in front of the Senate?

It is just as equally bad on the other side of the coin.

The problem is not the question of whether they did or did not get the settlement and the wages to which they are entitled. The question is whether there has been a disturbance of the equality of balance, say, between an airline and its employees and whether or not there is a conspiracy to keep employees from going ahead and exercising their right to strike, and, secondarily, that they carry that strike on.

That is the essence of it. Not how much they got.

Mr. MILLER. I think that is the essence.

Senator HARTKE. No more so than what the president of TWA gets, when I asked you the question, if you want to be frank about it.

I think that is just as equally an unfair question.

I just want to show you how ridiculous that argument becomes.

Mr. MILLER. Why is it ridiculous, Senator? If the argument is made which is being made here—we didn't come here. The unions came here to ask you for some relief. They said this agreement is destroying collective bargaining. That is what they said. That is what you are considering. That question.

We say, well, to examine whether an agreement is destroying collective bargaining, let's see what it does. So we look at the results. I don't see any destruction.

Senator HARTKE. Paul's statement has a distinct effect on collective bargaining when he says:

This protection is especially important in the case of particularly the smaller carriers who are particularly vulnerable to excessive union demands.

Now, the question whether they are excessive or not, is probably whether you look at it or they look at it, and whether they are excessive or not ultimately comes down to the bargaining table.

I grant you there isn't any question that you are asking for an additional right up and above. That is all I am saying. And if you go and give them more than you think they are entitled to, that is your collective-bargaining process as it is in the operation of that type of free enterprise system, let it be.

I don't see anyone else coming in here and settling your labor disputes. That is what in effect you are saying.

Mr. MILLER. I don't think so, Senator. It is the public who pays those higher prices every time.

Senator HARTKE. I hear that. That is an old story, simply because a man gets an increase in wages that the public has to pay it.

The net result is let's pay everybody 4 cents an hour like in Indochina and people live better; right?

The antithesis of that argument—

Mr. MILLER. You look at the numbers and you decide. We are not here asking you to take our word for it that airline employees are making too much money. We are not making that argument.

We are saying you look at it—

Senator HARTKE. I don't want to look at it. If you want me to look at it, then I will start settling the labor dispute for you.

I will tell you quite honestly, I take exception to that. Let me say to you, this is the very thing we have been trying to avoid, that is trying to have Government settle labor disputes. When you talk about the amount of wages these people get and expect me to make a judgment on it, then I am going to be ultimately making decisions as to whether or not the Government is going to settle your labor disputes.

Mr. TILLINGHAST. Mr. Chairman, may I just observe, we are asking to be left alone.

Senator HARTKE. If you are asking to be left alone, then take away the authority for the mutal aid pact. That leaves you alone. That puts you back into an equal balance.

Mr. MILLER. That leaves you alone. That leaves you very much alone, Senator. That's correct.

Mr. LORENZO. May I describe how alone it leaves you just 1 second?

Senator CANNON. Go ahead.

Mr. LORENZO. Could you imagine what type of balanced negotiation might take place at a Texas International 3 days after a strike has been called—

Senator CANNON. I am sorry Senator Hartke isn't able to remain and hear your statement.

Senator HARTKE. If you want me to miss the vote, I will be glad to do so.

Senator CANNON. You may respond for the record, if you wish.

Mr. LORENZO. They shut down Texas International and leave Texas International losing maybe \$125,000 a day with maybe \$2 million in the bank. I submit that is not much collective bargaining.

Senator CANNON. Gentlemen, we thank you very much for being here.

We were to hear from Dr. Herbert Northrup, director of the industrial research unit from the University of Pennsylvania. However, he was unable to stay until this afternoon, and we will have him when we have the CAB up here at a later period of time. Senator Hartke requested that we have the Board up here on this hearing.

Next we will hear from Mr. Richard Yancey, managing director of Dillon, Read.

You may proceed, sir.

**STATEMENT OF RICHARD C. YANCEY, MANAGING DIRECTOR,
DILLON, READ & CO., INC.**

Mr. YANCEY. My name is Richard C. Yancey, and I am a managing director of Dillon, Read & Co., Inc., investment banking firm located in New York City and have been a member of that firm's

corporate finance department for the past 22 years. I have been actively involved in the financial affairs of Trans World Airlines, Inc., for the last 10 years, and during that time I have worked with TWA in connection with a variety of financial activities including the restructuring of its long-term debt and the related private placement of \$553,700,000 of senior notes in 1967, public offerings in 1969 of \$150 million of subordinated convertible debentures and \$70 million of guaranteed loan certificates, public offerings in 1971 of \$53,600,000 of guaranteed loan certificates and 1,500,000 shares of common stock, the public offering in 1973 of \$26,750,000 of facilities lease refunding revenue bonds for the Regional Airports Improvement Corp. of Los Angeles, an issue secured by lease rentals to be paid by TWA, and the private placement of the debt portion of five lease financings in the period 1967-74.

Dillon, Read is a leading U.S. investment banking firm whose principal business is raising capital in the public and private markets and providing financial advisory services for a broad group of domestic and foreign clients including corporations, governments, States, and municipalities. Dillon, Read specializes in assisting its clients in the development and design of financial plans for new issues of securities and in managing and directing the underwriting and subsequent distribution of the securities.

Dillon, Read has acted as investment banker and financial adviser to TWA for more than 10 years, and since 1965 has acted as manager or agent for the issuance of over \$1.4 billion of securities by TWA.

In addition, since 1965 Dillon, Read has participated in public offerings of the securities of other airlines aggregating almost \$1 billion.

As a firm whose task it is to raise external capital for TWA and other airlines by the sale of both debt and equity securities, we are concerned by S. 306, which, as I understand it, is designed to abolish the airline mutual aid agreement.

In this statement I will discuss with you certain financial characteristics of the airline industry, the financial effect on participating carriers of the airline mutual aid agreement and our opinion as to the importance of the mutual aid agreement to investors in airline securities. Attached to the text of my statement are several exhibits, which I will refer to by number. These exhibits are designed to illustrate certain points which I will make in my statement.

As exhibit 1 illustrates, general financial characteristics which are shared by many airlines are (a) a relatively high degree of leverage—in other words, a high level of debt as compared to equity; (b) a generally erratic record of earnings with occasional large losses; (c) a record of relatively low fixed charge coverage ratios; and (d) an erratic history of cash flow.

Exhibit 2 shows that for the airline industry as a whole, the level of debt has increased considerably over the past 10 years, both in absolute and relative terms, although there has been some reduction in that level from the peak reached in 1970. From December 31, 1965, to September 30, 1974, the senior debt of U.S. airlines, net of repayments, has increased by approximately \$2.7 billion; capitalized leases have increased by approximately \$2.8 billion; subordinated debt has increased by approximately \$1.4 billion, for an increase in total

debt of \$6.9 billion, but net worth has only increased by approximately \$2.9 billion.

As a result, during this period total debt, including capitalized leases has increased from 57.5 percent to 66.6 percent of total capitalization for the U.S. airline industry as a whole.

Exhibit 2 also shows that the fixed charge coverage ratio for the industry as a whole, while reaching a low of 0.77 times in 1970, indicating that sufficient earnings available for fixed charges were not sufficient to even cover them once due to industry losses in that year, has dropped from a figure of 3.27 times in 1965 to 1.52 times for the 12 months ended September 30, 1974.

This substantial increase in debt over the past 10 years was due primarily to the financing of substantial capital expenditures made by the airlines to meet the needs of the traveling public.

Senator CANNON. Mr. Yancey, I'm going to have to go over to vote, and you can continue until I get back.

Mr. YANCEY. As I have mentioned, the airline industry's need to raise large quantities of money over a relatively short period of time to finance these capital expenditures has resulted in a high level of debt.

Exhibit 4 shows that the airline industry's debt, in relation to total capitalization, is higher than that of several other major American industries, which are normally considered to be highly leveraged.

For example, the airline industry debt structure is higher than the utilities and the class 1 railroads.

This fact, coupled with low-fixed-charge coverage ratios, erratic earnings records, and the general volatility of the airline business has resulted in a situation in which, to our knowledge, no airline has a credit rating on even its most senior debt of more than Baa or BBB, and one has ratings as low as B on its senior debt. These ratings which are given by Moody's Investors Services, Inc., and Standard & Poor's Corp., are indications of the general quality of a given debt security, and are normally an important factor in determining the interest rate for a debt security and its investment appeal.

It is important to note that each of the rating agencies has three rating categories higher than Baa or BBB, and many institutions in this country will not buy securities unless they are rated in one of the three higher categories.

In general, the categories which Moody and Standard & Poor use in rating bonds are similar. Moody's definitions for the three categories into which airline securities most frequently fall are as follows, and I shall read just the first one; the Baa rating. The other two are more speculative and indicate a higher degree of risk.

Baa: Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and, in fact, have speculative characteristics as well.

Note that each definition raises doubt concerning future reliability of investment characteristics and repayment. Furthermore, not only are the credit ratings given to airline securities low, but the ratings of two major airlines have been recently lowered due to the deterioration of their general financial condition.

However, in the face of already high levels of debt and low credit ratings, there is every likelihood that over the long run the airline industry will have to continue to make relatively large capital expenditures in order to maintain an appropriate level of service for the traveling public.

Anything which further aggravates the potential instability of future airline earnings, which, in my opinion, is exactly what the abolition of the Mutual Aid Agreement would do, will, in my view, add to the difficulty and cost of airline financing in the future.

Increasing the difficulty and cost of future financing cannot, in my opinion, be in the public interest, particularly if the very existence of an airline is threatened because it cannot finance in the marketplace.

Previous statements have pointed out the high labor costs which are characteristic of the airline industry, the industry's vulnerability to strikes due to the nature of its product, and the history of frequent, protracted, and expensive strikes.

Operating against this background, the financial significance to the participating airlines of the Mutual Aid Agreement is clear. Since 1958 this agreement has resulted in the payment of an aggregate of \$365,292,000 to struck airlines by other participating airlines. Although these payments only offset in the aggregate an average of 51.1 percent of the losses caused by strikes against participants in the Mutual Aid Agreement during that period, exhibit 6 illustrates how important these payments were to the individual airline recipients.

I have mentioned in my statement some of the examples which have been set forth in other exhibits, so I will not repeat them at this time.

While the amounts of mutual aid payments have generally been relatively small when compared to industry revenues and cash flow, exhibit 6 further shows that for the individual recipients these payments have often had a major impact on cash flow. Had the mutual aid payments not been received, the airline would have had to finance that reduction in cash flow from some other source.

In light of the high costs and extreme difficulties, which have accompanied airline financing in recent years, this has been of particular significance.

As exhibit 1 illustrates, even with the Mutual Aid Agreement in effect, the results of the participating airlines were highly erratic; without the agreement, the results for those carriers who were recipients of payments under the agreement would have been worse. For some of them, failure to get payments under the agreement would have been catastrophic.

Clearly, the record shows that the Mutual Aid Agreement has been a significant factor in partially offsetting the costs of strikes against participating airlines, and this has been, in my opinion, of major importance to investors in evaluating the investment merit of the securities of these airlines.

In general, the investor in the securities of any company is primarily interested in that company's expected future level of earnings and cash flow. Historical earnings and cash flow are important only insofar as they can be used to predict the future, and most other considerations such as regulatory climate and vulnerability to strikes have importance principally to the extent that they bear on future performance.

The investor in debt securities is primarily concerned with the company's ability to service his and other debt, and in this connection the expectation of stability and growth in earnings and coverage ratios is highly valued. While the investor in common stock is perhaps not as concerned with earnings stability, he is interested in growth in earnings per share, and is concerned by any factors which would tend to inhibit this growth or increase the risk of fluctuations in earnings which could have an adverse impact on the market price of his stock.

As shown in exhibits 1 and 5, investors in airline securities historically have enjoyed, on the whole, neither stability of earnings and coverage ratios, nor steady growth in earnings per share, and have experienced considerable volatility in stock price movement, and I cite in my statement examples of that, but I think it is more important to continue on to give the overall problem facing the industry.

Furthermore, looking to the future and given the vulnerability of the airlines to economic cycles, the intensely competitive nature of the business, continuing requirements for large capital expenditures, and rapidly increasing costs of doing business, it appears to me likely that most airlines will continue to find it difficult to significantly and permanently reduce the leverage of their capital structure and achieve an earnings record of stable growth. These factors must be borne in mind in considering the ability of the airlines to obtain adequate financing in the future.

In the past, in view of the amounts of money involved, the complexity of the airlines' financial and operating problems, and the complexity of the financing methods developed to assist the airlines in meeting their financial requirements, a great deal of airline debt financing has had to be done on a private basis with insurance companies and other large institutional investors. These investors, while willing in the past to take the risk associated with airline investments, have, at the same time, been very concerned with the stability of earnings and cash flow of the airlines in which they had investments. One of their major concerns, in my view, has been the instability of income inherent in the vulnerability of the airlines to strikes.

The past record of the number and cost of these strikes appears to have justified that concern.

Given the past record of the airline industry, the demonstrated success of the mutual aid agreement in modifying the adverse impact of strikes on individual carriers, and the lack of any assurance that the airlines will be less cyclical in the future or that strikes by airline employees will become any less frequent or costly, it is my opinion that the abolition of the mutual aid agreement will have a significant adverse effect on the ability of many airlines to obtain the financing they will so vitally need.

Based on my experience in working with institutional investors and rating agencies and recent conversations with them, I can state with

certainty that they would view with alarm the removal of the potential stabilizing force afforded by the mutual aid agreement and such an action would clearly adversely influence their credit evaluation of the airline industry.

At a time when, in my experience, investors in airline securities are concerned about the future stability of the airlines and thus about the safety of their investments in those airlines, the abolition of the mutual aid agreement, a proven stabilizing force with respect to earnings and cash flow, would expose existing investors to a greater degree of risk and would almost certainly make them and others more unwilling to make further investments in any but the very strongest airlines.

Obviously, any additional difficulty in financing necessary capital expenditures in the future would have an adverse impact on the ability of the airlines to adequately service the needs of the traveling public.

Consequently, I view the passage of Senate bill S. 306, which is designed to abolish the airline mutual aid agreement, as being most inadvisable and not in the public interest.

Thank you for permitting me to make this statement.

Mr. GINTHER. Give me a hypothetical situation, Mr. Yancey, that would involve the abolition of the Mutual Aid Pact and the apparent derogation of the credit rating of at least some of the major airlines, how would these airlines which were affected in that manner seek to find debt in the future? Would there be other markets where they could obtain financing for their capital equipment needs?

Mr. YANCEY. I know of no markets available to the airline industry that have not already been well covered by the industry, whether it be with respect to debt or equity or variations of those two major categories.

Mr. GINTHER. Would it be conceivable to finance more of their capital equipment needs with equity financing than debt financing?

Mr. YANCEY. I would say not at all, because the erratic pattern of earnings and cash flow in the past has occurred in spite of the fact that the mutual aid agreement has been in effect since 1958, and during periods of strike there have been major payments of cash to the struck airlines during those periods. Anything that would tend to aggravate that erratic pattern of cash flow would have adverse and detrimental effect to the earnings and, therefore to the ability to raise capital in the equity market.

The equity market is normally looking to, if not stability, certainly, over a long period of time, an increase in earnings. The abolition of this agreement, I would think, would make it exceedingly difficult, if not impossible, to tap the equity market on the part of many of the airlines.

Mr. GINTHER. We appreciate very much your coming here and, obviously, a very well-prepared statement.

Thank you for being a witness.

[The exhibits referred to follow:]

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIRLINE INDUSTRY, SEPT. 30, 1974

[Dollar amounts in millions, except per share data]

	American Airlines, Inc.				Braniff International Corp.			
	Amount		Percent		Amount		Percent	
Capitalization:¹								
Short-term debt -----	\$26.8		1.7		\$11.9		2.4	
Long-term debt -----	314.8		20.1		157.2		31.9	
Capitalized leases ² -----	484.2		30.9		98.1		19.9	
Total senior obligations -----	825.8		52.7		267.2		54.2	
Subordinated debt -----	172.4		11.0		76.6		15.6	
Total debt -----	998.2		63.7		343.8		69.8	
Preferred stock -----								
Common equity -----	569.7		36.3		148.6		30.2	
Total capitalization -----	1,567.9		100.0		492.4		100.0	
Revenues, net income, cash flow, fixed charge coverage:^{1,3}								
	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
1965 -----	\$612.2	\$39.7	\$108.9	2.81X	\$129.2	\$9.4	\$19.7	3.45X
1966 -----	724.6	52.2	131.4	3.05	187.2	17.9	35.5	2.98
1967 -----	841.5	58.8	142.4	2.30	256.4	4.7	33.4	1.23
1968 -----	957.2	35.5	158.9	1.63	299.0	10.5	33.4	1.60
1969 -----	1,032.8	38.4	150.0	1.55	325.6	6.3	33.2	1.25
1970 -----	1,125.6	(26.4)	84.7	.68	323.5	(2.6)	25.4	.90
1971 -----	1,244.4	3.0	117.8	1.02	337.0	9.0	33.1	1.32
1972 -----	1,350.8	5.6	117.6	1.05	371.2	17.2	41.8	1.55
1973 -----	1,475.4	(48.0)	84.5	.59	428.1	23.4	54.2	1.67
1974 (12 mo ended Sept 30, 1974) -----	1,702.5	14.4	168.2	1.15	527.5	25.0	63.1	1.66
Per share data:^{4,5}								
	Earnings	Dividends			Earnings	Dividends		
1965 -----	\$2.30	\$0.62 $\frac{1}{2}$			\$0.50	\$0.01 $\frac{1}{2}$		
1966 -----	3.01	.65 $\frac{3}{8}$			.95	.07 $\frac{3}{4}$		
1967 -----	2.48	.78 $\frac{3}{4}$			.25	.07 $\frac{3}{4}$		
1968 -----	1.75	.80			.54	.35 $\frac{3}{8}$		
1969 -----	1.90	.80			.31	.47		
1970 -----	(1.30)	.80			(.13)	.47		
1971 -----	.13	.40			.46	Stock		
1972 -----	.20	Nil			.85	Stock		
1973 -----	(1.69)	Nil			1.15	Nil		
1974 -----	.72	Nil			1.30	.10		
Common stock data:⁴								
		Price range				Price range		
1965 -----		\$34 $\frac{1}{8}$ -22				\$12 $\frac{1}{4}$ -4 $\frac{1}{8}$		
1966 -----		41-22 $\frac{1}{4}$				30 $\frac{1}{8}$ -10		
1967 -----		49-28 $\frac{3}{8}$				26 $\frac{1}{8}$ -13 $\frac{1}{2}$		
1968 -----		36 $\frac{1}{2}$ -24				28 $\frac{1}{2}$ -12 $\frac{1}{2}$		
1969 -----		38 $\frac{1}{2}$ -23 $\frac{1}{2}$				22 $\frac{1}{2}$ -9 $\frac{3}{8}$		
1970 -----		31 $\frac{1}{8}$ -15				10 $\frac{1}{8}$ -5 $\frac{1}{8}$		
1971 -----		43 $\frac{1}{8}$ -21 $\frac{3}{8}$				16 $\frac{1}{8}$ -7 $\frac{1}{8}$		
1972 -----		49 $\frac{1}{8}$ -22 $\frac{1}{2}$				19 $\frac{1}{8}$ -12 $\frac{1}{8}$		
1973 -----		25 $\frac{1}{8}$ -8				16 $\frac{1}{4}$ -8 $\frac{1}{4}$		
1974 -----		13 $\frac{1}{8}$ -4 $\frac{7}{8}$				12 $\frac{1}{2}$ -4 $\frac{1}{2}$		
Rating (Moody's/S. & P.'s) ⁶ -----		Baa/BBB				Ba/BB		

See footnotes at end of table.

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIRLINE INDUSTRY, SEPT. 30, 1974—Cont.
 [Dollar amounts in millions, except per share data]

	Continental Airlines Inc.		Eastern Air Lines Inc.					
	Amount	Percent	Amount	Percent				
Capitalization:¹								
Short-term debt.....	\$56.6	10.2	94.7	6.2				
Long-term debt.....	199.3	36.0	592.4	38.4				
Capitalized leases ²			341.2	22.1				
Total senior obligations.....	255.9	46.2	1,028.3	66.7				
Subordinated debt.....	137.0	24.7	163.3	10.6				
Total debt.....	392.9	70.9	1,191.6	77.3				
Preferred stock.....			21.7	1.4				
Common equity.....	161.1	29.1	328.2	21.3				
Total capitalization.....	554.0	100.0	1,541.5	100.0				
Revenues net income cash flow fixed charge coverage:³	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
1965.....	\$116.7	\$12.1	\$26.2	5.44X	\$507.5	\$29.6	\$78.5	1.73X
1966.....	158.0	17.2	35.2	6.27	496.3	15.0	54.3	1.36
1967.....	188.2	17.3	44.5	4.00	657.8	24.1	79.8	1.61
1968.....	208.2	4.1	34.8	1.33	744.7	(11.9)	49.5	.78
1969.....	255.7	3.2	42.9	1.27	869.5	(2.4)	74.2	.96
1970.....	289.4	3.2	43.2	1.24	971.0	5.5	90.7	1.07
1971.....	331.6	8.4	52.9	1.56	1,053.8	5.7	86.8	1.06
1972.....	365.9	9.2	56.9	1.66	1,160.9	19.8	108.7	1.27
1973.....	387.3	5.3	43.5	1.04	1,259.8	(51.3)	29.8	.54
1974 (12 mo. ended Sept. 30, 1974).....	458.2	15.9	58.3	1.35	1,485.2	(10.3)	78.7	.91
	Earnings		Dividends		Earnings		Dividends	
Per share data:⁴								
1965.....	\$1.15		\$0.18 $\frac{1}{4}$		\$4.18		Nil	
1966.....	1.16		.24 $\frac{1}{2}$		1.58		\$0.22 $\frac{1}{4}$	
1967.....	1.57		.36 $\frac{1}{4}$		2.24		.40	
1968.....	.37		.45 $\frac{1}{2}$		(1.06)		.50	
1969.....	.26		.45 $\frac{1}{2}$		(.27)		.37 $\frac{1}{4}$	
1970.....	.29		.22 $\frac{3}{4}$		.39		Nil	
1971.....	.59		Nil		.32		Nil	
1972.....	.68		Nil		1.20		Nil	
1973.....	.01		Nil		(2.73)		Nil	
1974.....	.56		Nil		.37		Nil	
	Price range				Price range			
Common stock data:⁴								
1965.....	\$18 $\frac{1}{8}$ —57 $\frac{1}{8}$				\$49 $\frac{1}{8}$ —201 $\frac{1}{4}$			
1966.....	25 $\frac{1}{2}$ —14 $\frac{1}{8}$				61 $\frac{1}{8}$ —26 $\frac{1}{2}$			
1967.....	34 $\frac{1}{4}$ —18 $\frac{3}{8}$				60 $\frac{1}{2}$ —37 $\frac{1}{8}$			
1968.....	23 $\frac{3}{8}$ —15 $\frac{1}{2}$				48—26			
1969.....	22—10 $\frac{1}{2}$				32 $\frac{1}{4}$ —14 $\frac{1}{2}$			
1970.....	12 $\frac{5}{8}$ —6 $\frac{3}{8}$				15 $\frac{1}{2}$ —11			
1971.....	20 $\frac{1}{2}$ —11 $\frac{1}{4}$				23 $\frac{3}{8}$ —14 $\frac{3}{8}$			
1972.....	25 $\frac{1}{2}$ —15 $\frac{3}{8}$				31 $\frac{1}{8}$ —19 $\frac{3}{8}$			
1973.....	16—4 $\frac{1}{4}$				22 $\frac{1}{2}$ —5 $\frac{1}{4}$			
1974.....	7 $\frac{1}{2}$ —2 $\frac{3}{8}$				8 $\frac{1}{8}$ —3 $\frac{1}{8}$			
Rating (Moody's/S. & P.'s) ⁴ ...	NR/NR		NR/NR		NR/NR		NR/NR	

See footnotes at end of table.

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIRLINE INDUSTRY, SEPT. 30, 1974—Con.

[Dollar amounts in millions, except per share data]

	Frontier Airlines				Hughes Air West			
	Amount	Percent		Amount	Percent			
Capitalization: ¹								
Short-term debt.....				\$7.1		4.2		
Long-term debt.....				35.5		20.9		
Capitalized leases ²	\$23.4	24.8		27.7	16.3			
Total senior obligations.....	23.4	24.8		70.3	41.4			
Subordinated debt.....	33.3	35.4		6.2	3.7			
Total debt.....	56.7	60.2		76.5	45.1			
Preferred stock.....	10.9	11.6						
Common equity.....	26.6	28.2		93.0	54.9			
Total capitalization.....	94.2	100.0		169.5	100.0			
	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
Revenues, net income, cash flow, fixed charge coverage: ³								
1965.....	\$24.7	\$1.3	\$2.4	3.49X	\$14.7	\$0.7	\$1.8	2.50X
1966.....	30.9	1.8	3.5	2.81	16.8	0	1.4	1.06
1967.....	44.5	(1)	4.3	.78	18.1	(3.7)	(1.9)	
1968.....	70.2	(6.8)	(4)		66.9	(10.4)	(5.0)	
1969.....	82.7	(12.2)	(5.4)		74.1	(20.8)	(14.7)	
1970.....	91.8	(3.3)	3.2	.68	85.3	(10.4)	(4)	.18
1971.....	97.3	(1.6)	5.0	.86	96.4	(3.1)	(4)	.75
1972.....	109.6	8.6	15.2	1.88	96.7	1.9	4.8	1.16
1973.....	124.8	6.7	12.8	1.80	130.1	4.7	7.8	1.37
1974 (12 mo. ended Sept. 30, 1974).....	149.9	13.9	19.9	2.57	158.5	11.1	17.4	1.96
	Earnings	Dividends		Earnings	Dividends			
Per share data: ^{4,5}								
1965.....	7 \$2.03	Stock			Not available			
1966.....	7 1.29	Stock						
1967.....	.02	Nil						
1968.....	(1.07)	Nil						
1969.....	(1.03)	Nil						
1970.....	(.79)	Nil						
1971.....	(.54)	Nil						
1972.....	.84	Nil						
1973.....	.87	Nil						
1974.....	1.36	Nil						
	Price range	Price range						
Common stock data: ⁴								
1965.....	\$22-81 $\frac{1}{2}$	Privately held						
1966.....	39-17 $\frac{1}{2}$							
1967.....	27 $\frac{1}{2}$ -13							
1968.....	201 $\frac{1}{2}$ -9 $\frac{3}{8}$							
1969.....	171 $\frac{1}{2}$ -61 $\frac{1}{8}$							
1970.....	8 $\frac{3}{4}$ -37 $\frac{1}{8}$							
1971.....	87 $\frac{1}{2}$ -41 $\frac{1}{8}$							
1972.....	131 $\frac{1}{2}$ -51 $\frac{1}{8}$							
1973.....	81 $\frac{1}{2}$ -37 $\frac{1}{8}$							
1974.....	66 $\frac{1}{2}$ -31 $\frac{1}{4}$							
Rating (Moody's/S. & P.'s) ⁶	B/B (subordinated debentures)	NR/NR						

See footnotes at end of table.

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIR LINE INDUSTRY, SEPT. 30, 1974—Con.

[Dollar amounts in millions, except per share data]

	National Airlines Inc.		North Central Airlines, Inc.					
	Amount	Percent	Amount	Percent				
Capitalization: ¹								
Short-term debt.....	\$4.4	1.3	\$8.1	7.7				
Long-term debt.....	145.1	42.9	34.2	32.3				
Capitalized leases ².....	.1	0	16.3	15.4				
Total senior obligations.....	149.6	44.2	58.6	55.4				
Subordinated debt.....			1.6	1.5				
Total debt.....	149.6	44.2	60.2	56.9				
Preferred stock.....								
Common equity.....	188.6	55.8	45.6	43.1				
Total capitalization.....	338.2	100.0	105.8	100.0				
	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
Revenues, net income, cash flow, fixed charge coverage: ^{1,3}								
1965.....	\$166.4	\$18.4	\$40.8	7.27X	\$33.9	\$1.1	\$3.1	2.65X
1966.....	168.3	16.9	36.2	5.49	39.6	1.1	3.4	2.20
1967.....	211.0	22.2	44.8	6.02	42.9	1.5	5.4	1.56
1968.....	248.7	20.4	59.3	4.39	55.2	.1	5.2	1.01
1969.....	270.1	15.0	52.7	3.09	68.4	(2.4)	1.2	.51
1970.....	197.4	(6.2)	25.5	.12	92.0	2.2	9.9	1.19
1971.....	304.9	8.9	46.9	1.77	100.8	7.5	9.2	1.15
1972.....	367.3	20.9	67.3	2.27	118.3	7.5	15.0	1.95
1973.....	413.8	20.6	70.5	1.98	126.4	6.4	14.3	1.74
1974 (12 mo ended Sept. 30, 1974).....	411.9	28.9	86.3	2.58	147.7	8.3	19.5	2.22
	Earnings	Dividends	Earnings	Dividends				
Per share data: ^{4,5}								
1965.....	\$1.91	\$0.20	\$0.13	Nil				
1966.....	2.63	.27½	.13	Nil				
1967.....	2.03	.30	.17	Nil				
1968.....	2.51	.30	.01	Nil				
1969.....	2.25	.30	(.26)	Nil				
1970.....	.44	.37½	.27	Nil				
1971.....	(.46)	.30	.11	Nil				
1972.....	2.34	Nil	.60	Nil				
1973.....	2.36	.20	.52	\$0.05				
1974.....	3.58	.42½	.66	.10				
	Price range	Price range						
Common stock data: ⁴								
1965.....	\$39-16		\$5½-27½					
1966.....	52½-28		7-31½					
1967.....	46½-31		7½-37½					
1968.....	45-24		7½-47½					
1969.....	47½-21½		9½-37½					
1970.....	24½-9½		4½-2					
1971.....	34-16½		6½-1½					
1972.....	51-29		8½-3½					
1973.....	33½-11½		5½-2½					
1974.....	21½-6½		4-2½					
Rating (Moody's/S. & P.'s) ⁶	NR/NR		NR/NR					

See footnotes at end of table.

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIRLINE INDUSTRY, SEPT. 30, 1974—Con.

[Dollar amounts in millions, except per share data]

	Northwest Airlines, Inc.		Ozark Air Lines, Inc.					
	Amount	Percent	Amount	Percent				
Capitalization: ¹								
Short-term debt.....	\$22.6	2.9	\$5.7	6.4				
Long-term debt.....	183.4	23.2	27.8	31.0				
Capitalized leases ²			13.6	15.2				
Total senior obligations.....	206.0	26.1	47.1	52.6				
Subordinated debt.....			21.0	23.4				
Total debt.....	206.0	26.1	68.1	76.0				
Preferred stock.....								
Common equity.....	584.1	73.9	21.5	24.0				
Total capitalization.....	790.1	100.0	89.6	100.0				
	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
Revenues, net income, cash flow, fixed charge coverage: ^{1,3}								
1965.....	\$263.0	\$45.7	\$90.6	8.83X	\$24.8	\$0.5	\$1.4	1.88X
1966.....	311.4	53.2	103.1	8.90	30.3	.9	2.0	1.62
1967.....	384.1	57.7	116.4	11.13	35.9	1.3	4.0	1.30
1968.....	416.3	50.0	118.8	8.24	45.0	(.7)	3.7	.85
1969.....	468.1	44.7	124.7	6.51	56.4	(4.0)	1.3	.39
1970.....	379.1	46.7	129.0	3.13	68.1	(2.3)	3.8	.76
1971.....	425.7	23.6	105.8	1.46	82.8	4.6	11.0	1.54
1972.....	392.7	19.9	102.1	1.78	90.1	2.6	8.6	1.35
1973.....	584.7	51.9	136.9	2.78	81.6	(.2)	6.0	.99
1974 (12 mo. ended Sept. 30, 1974).....	746.5	70.7	192.5	3.99	114.1	4.7	11.2	1.63
	Earnings	Dividends	Earnings	Dividends				
Per share data: ^{4,5}								
1965.....	\$2.50	\$0.20	\$0.22	Nil				
1966.....	2.90	.30	.24	Nil				
1967.....	3.21	.35	(.15)	Stock				
1968.....	2.74	.40	(.19)	Nil				
1969.....	2.55	.45	(.72)	Nil				
1970.....	2.11	.45	(.38)	Nil				
1971.....	1.01	.45	.40	Nil				
1972.....	.83	.45	.38	Nil				
1973.....	2.40	.45	(.03)	Nil				
1974.....	3.00	.45	3.29	\$0.05				
	Price Range	Price Range						
1965.....	\$35 ⁵ / ₈ -17 ⁷ / ₈	\$11 ¹ / ₄ -4 ⁵ / ₈						
1966.....	62 ¹ / ₈ -29	14 ³ / ₈ -8 ⁵ / ₈						
1967.....	67 ³ / ₈ -41 ⁹ / ₄	11 ¹ / ₂ -4 ¹ / ₂						
1968.....	47 ³ / ₄ -33	10-7 ¹ / ₂						
1969.....	44 ¹ / ₂ -24	9 ³ / ₈ -4 ⁷ / ₈						
1970.....	29-14 ³ / ₈	8 ³ / ₄ -3 ¹ / ₄						
1971.....	41-20 ⁵ / ₈	5 ³ / ₄ -3						
1972.....	55-30	8 ³ / ₈ -3 ¹ / ₄						
1973.....	36 ⁵ / ₈ -17 ¹ / ₄	12 ¹ / ₄ -5 ³ / ₄						
1974.....	27 ¹ / ₄ -10 ⁵ / ₈	6 ⁵ / ₈ -2 ³ / ₈						
Rating (Moody's/S. & P.'s) ⁶	NR/NR	NR/NR						

See footnotes at end of table.

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIRLINE INDUSTRY, SEPT. 30, 1974—Con.

[Dollar amounts in millions, except per share data]

	Pan American World Airways, Inc.		Piedmont Aviation					
	Amount	Percent	Amount	Percent				
Capitalization: 1								
Short-term debt.....	\$16.6	1.1	\$10.0	8.9				
Long-term debt.....	381.1	24.6	46.5	41.6				
Capitalized leases 2.....	317.9	20.5	2.4	2.1				
Total senior obligations.....	715.6	46.2	58.9	52.7				
Subordinated debt.....	478.9	30.9	32.9	29.4				
Total debt.....	1,194.5	77.1	91.8	82.1				
Preferred stock.....								
Common equity.....	354.8	22.9	20.0	17.9				
Total capitalization.....	1,549.3	100.0	111.8	100.0				
	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
Revenues, net income, cash flow, fixed charge coverage: 13								
1965.....	\$666.6	\$52.1	\$116.4	3.44X	\$27.7	\$1.7	\$3.4	5.00X
1966.....	836.3	83.7	169.3	4.81	32.1	.8	3.5	3.80
1967.....	944.7	65.6	162.8	3.36	37.9	1.9	5.8	2.16
1968.....	1,030.4	45.6	172.5	2.02	46.9	(0.2)	3.9	.78
1969.....	1,040.0	(25.9)	92.2	.38	54.4	(1.9)	4.3	.40
1970.....	1,123.6	(48.5)	69.5	.33	70.7	(3.7)	5.2	.45
1971.....	1,179.5	(46.5)	52.2	.49	80.6	.4	9.7	1.00
1972.....	1,303.1	(33.2)	83.2	.60	93.1	3.8	13.6	1.46
1973.....	1,424.6	(26.3)	118.7	.74	107.5	3.3	13.4	1.44
1974 (12 mo. ended Sept. 30, 1974).....	1,540.8	(53.0)	26.1	.25	125	8.0	18.1	2.09
	Earnings	Dividends	Earnings	Dividends				
Per share data: 45								
1965.....	\$1.64	\$0.30	\$0.68	\$0.16				
1966.....	2.31	.30	.84	.16				
1967.....	1.84	.35	.06	.16				
1968.....	1.46	.40	(.16)	.16				
1969.....	(.77)	.20	(.95)	Stock				
1970.....	(1.38)	Nil	(.89)	Nil				
1971.....	(1.19)	Nil	.19	Nil				
1972.....	(.70)	Nil	.99	Nil				
1973.....	(.45)	Nil	1.35	Stock				
1974.....	(2.00)	Nil	2.86	.20				
	Price range	Price range						
Common stock data: 4								
1965.....	\$27 $\frac{3}{4}$ -12 $\frac{3}{8}$		\$11 $\frac{1}{2}$ -4 $\frac{3}{8}$					
1966.....	39 $\frac{3}{8}$ -20		15 $\frac{1}{2}$ -10					
1967.....	36 $\frac{1}{2}$ -23		18 $\frac{1}{2}$ -10 $\frac{1}{8}$					
1968.....	30-19 $\frac{1}{2}$		13 $\frac{1}{2}$ -9 $\frac{1}{8}$					
1969.....	31 $\frac{1}{2}$ -11 $\frac{3}{8}$		16 $\frac{1}{2}$ -8 $\frac{1}{8}$					
1970.....	14 $\frac{1}{2}$ -8		8 $\frac{1}{2}$ -4 $\frac{1}{2}$					
1971.....	20 $\frac{1}{2}$ -9 $\frac{1}{2}$		9 $\frac{1}{2}$ -4 $\frac{1}{2}$					
1972.....	17 $\frac{1}{2}$ -8 $\frac{1}{2}$		13 $\frac{1}{2}$ -7 $\frac{1}{2}$					
1973.....	10 $\frac{1}{2}$ -3 $\frac{1}{8}$		10 $\frac{1}{2}$ -3 $\frac{1}{8}$					
1974.....			6 $\frac{1}{2}$ -3 $\frac{1}{8}$					
Rating (Moody's/S. & P.'s): 46	B/B		NR/NR					

See footnotes at end of table.

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIRLINE INDUSTRY, SEPT. 30, 1974—Con.

[Dollar amounts in millions, except per share data]

	Texas International Airlines		Trans World Airlines Inc.					
	Amount	Percent	Amount	Percent				
Capitalization: ¹								
Short-term debt.....	\$5.4	9.6	\$49.0	2.6				
Long-term debt.....	15.3	27.3	522.7	27.8				
Capitalized leases ²	21.8	38.9	532.6	28.4				
Total senior obligations.....	42.5	75.9	1,104.3	58.8				
Subordinated debt.....	4.8	8.6	325.0	17.3				
Total debt.....	47.3	84.5	1,429.3	76.1				
Preferred stock.....	.2	0.4	2.6	.1				
Common equity.....	8.5	15.1	446.4	23.8				
Total capitalization.....	56.0	100.0	1,878.3	100.0				
	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
Revenues, net income, cash flow, fixed charge coverage: ^{1,3}								
1965.....	\$22.6	\$0.6	\$1.2	2.51X	\$671.8	\$52.1	\$114.7	2.83X
1966.....	27.4	1.0	1.8	2.77	699.6	29.8	108.6	2.02
1967.....	23.0	(.4)	1.8	.77	873.2	45.0	154.8	1.90
1968.....	41.1	(1.5)	1.9	.45	948.1	22.5	120.7	1.23
1969.....	51.5	(5.1)	(1.1)	.33	1,089.3	20.2	119.0	1.17
1970.....	62.1	(7.4)	(3.3)	.14	1,150.3	(64.4)	16.5	.26
1971.....	70.0	(6.9)	(2.4)	.26	1,252.0	3.3	110.8	1.01
1972.....	72.9	(1.3)	2.7	.85	1,414.2	43.1	161.0	1.40
1973.....	77.8	1.2	5.0	1.15	1,452.9	46.5	173.3	1.35
1974 (12 mo ended Sept. 30 1974).....	93.0	2.4	6.2	1.26	1,596.3	(1.9)	94.3	.90
	Earnings	Dividends	Earnings	Dividends				
Per share data: ^{4,5}								
1965.....	\$0.82	Nil	\$5.74	Nil				
1966.....	1.10	Nil	3.49	\$1.00				
1967.....	(.32)	Nil	3.97	1.00				
1968.....	(1.77)	Nil	1.78	1.00				
1969.....	(4.51)	Nil	1.63	.50				
1970.....	(5.29)	Nil	(6.39)	Nil				
1971.....	(5.80)	Nil	.11	Nil				
1972.....	(1.08)	Nil	3.01	Nil				
1973.....	.05	Nil	3.25	Nil				
1974.....			(2.01)	Nil				
	Price range	Price range						
Common stock data: ⁴								
1965.....	NA	\$71 $\frac{1}{8}$ - 39 $\frac{5}{8}$						
1966.....	NA	101 $\frac{1}{8}$ - 51 $\frac{5}{8}$						
1967.....	NA	90 $\frac{3}{4}$ - 50						
1968.....	\$28 $\frac{1}{4}$ - 12 $\frac{3}{4}$	50 $\frac{1}{4}$ - 35						
1969.....	29 $\frac{1}{4}$ - 6 $\frac{1}{2}$	48 $\frac{3}{4}$ - 21						
1970.....	9 - 2 $\frac{3}{4}$	24 $\frac{1}{4}$ - 9 $\frac{3}{4}$						
1971.....	8 - 3 $\frac{7}{8}$	44 $\frac{1}{4}$ - 13 $\frac{3}{8}$						
1972.....	6 $\frac{3}{4}$ - 4	59 $\frac{1}{8}$ - 36 $\frac{3}{4}$						
1973.....	4 $\frac{3}{4}$ - 1 $\frac{7}{8}$	42 $\frac{1}{8}$ - 12 $\frac{3}{4}$						
1974.....	3 $\frac{1}{4}$ - 1							
Rating (Moody's/S. & P.'s) ⁶	NR/NR	Ba/BB						

See footnotes at end of table.

EXHIBIT 1

COMPARISON OF FINANCIAL DATA FOR SELECTED COMPANIES IN THE AIRLINE INDUSTRY, SEPT. 30, 1974—Con.

[Dollar amounts in millions, except per share data]

	UAL, Inc.				Western Air Lines, Inc.			
	Amount	Percent		Amount	Percent			
Capitalization:¹								
Short-term debt.....	\$19.6	0.9		\$22.5	6.6			
Long-term debt.....	631.2	30.5		88.9	25.9			
Capitalized leases ²	531.4	25.7		68.0	19.8			
Total senior obligations.....	1,182.2	57.2		179.4	52.3			
Subordinated debt.....	230.2	11.1		29.6	8.6			
Total debt.....	1,412.4	68.3		209.0	61.0			
Preferred stock.....								
Common equity.....	654.7	31.7		133.7	39.0			
Total capitalization.....	2,067.1	100.0		342.7	100.0			
	Revenues	Net income	Cash flow	Fixed charge coverage	Revenues	Net income	Cash flow	Fixed charge coverage
Revenues, net income, cash flow, fixed charge coverage:³								
1965.....	\$792.8	\$45.7	\$122.2	3.03X	\$123.6	\$12.2	\$29.3	6.33X
1966.....	856.9	38.4	117.2	2.21	156.2	16.1	37.2	6.70
1967.....	1,099.0	72.8	162.1	2.67	183.6	12.2	37.4	4.22
1968.....	1,261.7	41.7	174.2	1.94	222.0	8.5	35.3	2.02
1969.....	1,477.5	47.6	223.3	1.88	240.4	(12.1)	21.3	(3.25)
1970.....	1,501.7	(39.9)	132.3	.58	298.1	.6	34.3	.93
1971.....	1,527.2	(1.1)	158.3	1.01	325.6	6.5	42.2	1.46
1972.....	1,726.6	17.8	205.8	1.25	365.7	11.2	47.4	1.85
1973.....	1,941.0	52.0	287.1	1.67	414.7	20.4	66.1	2.51
1974 (12 mo. ended Sept. 30, 1974).....	2,244.9	97.4	382.8	2.28	477.6	26.6	77.0	2.71
	Earnings	Dividends		Earnings	Dividends			
Per share data:^{4,5}								
1965.....	\$3.34	\$0.87½		\$0.92	\$0.26¼			
1966.....	2.44	.94		1.24	.32¼			
1967.....	4.19	1.00		.82	.32¼			
1968.....	2.23	1.00		.55	.32¼			
1969.....	2.12	1.00		(.81)	.16¼			
1970.....	(2.33)	.75		.04	Nil			
1971.....	(.36)	Nil		.43	Stock			
1972.....	.80	Nil		.75	.08			
1973.....	2.03	Nil		1.35	.22¾			
1974.....	4.04	.65		1.59	.38¾			
	Price range	Price range		Price range	Price range			
Common stock data:⁴								
1965.....	\$59¼-29¾			\$15¼-9¼				
1966.....	74¼-43¾			14½-9¾				
1967.....	87½-55¼			19¼-10¾				
1968.....	66½-34			14½-8				
1969.....	48½-26¼			14¼-5½				
1970.....	28½-12½			7½-2½				
1971.....	45½-21½			14-7¾				
1972.....	54½-28¾			16¾-11¼				
1973.....	34½-15½			12½-6¼				
1974.....	29½-13			13½-5½				
Rating (Moody's/S. & P.'s) ⁶	NR/NR			NR/NR				

¹ The data was obtained from sources which prepared the data from reports filed with the CAB. This data pertains to airline operations only.

² Capitalized leases is the present value of aggregate rentals over the term of lease discounted at an estimated interest rate. The estimated interest rate is that rate which will amortize the lessor's cost over the lease life using a stipulated payment.

³ The ratio of net income available for fixed charges. Fixed charges include interest on debt principal, amortization of debt discount and expense and rentals. Net income available for fixed charges include net income before taxes and special items plus fixed charges.

⁴ The data was obtained from Standard and Poor's "Standard Stock Reports." This data includes nonairline operations.

⁵ Earnings per share are stated on a primary basis.

⁶ The rating is for senior debt securities, except as noted.

⁷ Earnings are from annual report.

EXHIBIT 2
SUMMARY CAPITALIZATION OF U.S. AIRLINE INDUSTRY, 1965-74¹
[Amount in millions of dollars]

	1965		1966		1967		1968		1969		1970		1971		1972		1973		1974 (3d quarter)			
	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent	Amount	Per- cent		
Capitalization:																						
Senior-term debt	1,858.2	42.4	2,375.4	39.2	3,137.6	38.7	4,080.9	40.4	4,276.5	36.5	4,918.1	38.0	4,629.8	35.5	4,653.1	34.6	4,726.3	33.5	4,588.7	32.1		
Capitalized leases ²	230.7	5.2	317.0	5.3	468.5	5.8	1,094.2	10.8	1,990.7	17.0	2,596.0	20.1	2,751.6	21.1	2,797.6	20.8	3,083.1	21.8	3,033.9	21.3		
Total senior debt	2,088.9	47.6	2,692.4	44.5	3,606.1	44.5	5,175.1	51.2	6,267.2	53.5	7,514.1	58.1	7,381.4	56.6	7,450.7	55.3	7,809.4	55.3	7,592.6	53.4		
Subordinated debt	434.5	9.9	908.6	15.0	1,454.8	17.9	1,676.7	16.6	2,047.5	17.5	2,134.3	16.5	1,893.8	14.5	1,836.4	13.6	1,924.9	13.6	1,881.4	13.2		
Total debt	2,523.4	57.5	3,601.0	59.5	5,060.9	62.4	6,851.8	67.8	8,314.7	71.0	9,648.4	74.6	9,275.2	71.1	9,287.1	69.9	9,734.3	68.9	9,474.0	66.6		
Net worth	1,862.9	42.5	2,453.5	40.5	3,050.5	37.6	3,258.6	32.2	3,403.5	29.0	3,281.1	25.4	3,777.2	28.9	4,174.8	31.0	4,392.5	31.1	4,742.3	33.4		
Total capitalization	4,386.3	100.0	6,054.5	100.0	8,111.4	100.0	10,110.4	100.0	11,718.2	100.0	12,929.5	100.0	13,052.4	100.0	13,461.9	100.0	14,126.8	100.0	14,216.3	100.0		
Fixed charge coverage ³	3.27X		3.22X		2.52X		1.66X		1.20X		0.77X		1.06X		1.33X		1.31X		1.52X			

¹ Covering U.S. certified carriers.

² The present value of aggregate rentals over the term of lease discounted at an estimated interest rate. The estimated interest rate is that rate which will amortize the lessor's cost over the lease life using a stipulated payment.

³ The ratio of net income available for fixed charges. Fixed charges include interest on debt principal,

amortization of debt discount and expense and rentals. Net income available for fixed charges includes net income before taxes and special items plus fixed charges.

Source: The data was obtained from sources which prepared the data from reports filed with the CAB.

EXHIBIT 3
ANNUAL CAPITAL EXPENDITURES OF SELECTED AIRLINES 1964-74¹
[In millions of dollars]

Year:	Total American	Branniff	Continental	Eastern	Frontier	National	North Central	Northwest	Ozark	Pan American	Piedmont	Texas International	TWA	UAL	Western
1964	783.4	6.2	24.3	82.5	4.3	19.3	2.2	71.2	NA	172.3	NA	NA	134.4	140.2	21.2
1965	873.5	40.7	21.7	91.9	7.6	31.1	12.9	106.3	0.1	143.1	NA	NA	188.0	133.5	43.0
1966	1,261.7	112.9	47.8	159.7	24.9	21.6	12.7	103.8	3.3	227.5	NA	11.3	240.4	139.1	38.8
1967	1,020.1	57.9	19.2	136.3	22.6	46.7	26.2	132.2	33.3	178.7	NA	NA	222.0	231.7	58.6
1968	1,376.1	2.8	132.3	232.4	34.9	124.7	34.3	179.4	11.8	139.1	44.9	8.8	197.0	582.0	128.4
1969	1,017.8	13.1	52.4	114.2	18.7	29.2	6.5	174.9	17.9	243.7	46.1	8.8	202.8	284.0	46.2
1970	1,215.8	13.3	52.4	214.4	2.5	36.2	10.2	214.3	5.2	463.6	2.5	.8	262.9	262.9	4.8
1971	1,011.9	18.3	21.6	214.8	2.0	35.3	2.4	170.7	2.4	280.6	2.5	.8	135.9	135.9	4.4
1972	1,530.8	78.6	111.5	322.8	12.9	102.1	3.3	97.7	9.4	94.1	11.5	.7	172.3	309.3	36.4
1973	1,444.2	141.0	109.4	319.7	7.0	111.7	24.4	248.8	5.5	96.9	9.2	.7	136.3	327.6	63.7
1974	NA	NA	97.7	64.1	NA	26.9	5.9	NA	NA	86.0	NA	NA	164.5	253.5	NA

¹ Source: Standard & Poor's Air Transport Industry Survey.

EXHIBIT 4
COMPARISON OF CAPITALIZATION OF SELECTED INDUSTRIES¹
[Amount in millions of dollars]

	Airlines (1974) ²		Electric utilities (1973)		Gas utilities (1973)		Class 1 railroads (1977)			
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent		
Total long-term debt.....	6,440.1	45.3	6,440.1	57.6	57,100	52.9	18,167	51.5	10,297	33.6
Capitalized leases.....	3,033.9	21.3								
Equipment obligations.....										
Total long-term senior obligations.....	9,474.0	66.6	6,440.1	57.6	57,100	52.9	18,167	51.5	14,882	48.6
Preferred stock.....					13,000	12.1	2,329	6.6	502	1.6
Common equity.....	4,742.3	33.4	4,742.3	42.4	37,800	37.0	14,794	41.9	15,234	49.8
Total capitalization.....	14,216.3	100.0	11,182.4	100.0	107,900	100.0	35,290	100.0	30,618	100.0
									4,585	15.0

¹ Airline data was obtained from sources which prepared the data from reports filed with the CAB. The airline data pertains to airline operations only. Other industry data compiled from Standard & Poor's Industrial Survey.

² Includes short-term debt.

EXHIBIT 5

MOVEMENT OF AIRLINE INDUSTRY STOCK PRICE INDEX 1965-1974

	Airline stock price index ¹		Standard and Poor's 425 industrial stock price index ²	
	High	Low	High	Low
1965.....	100	56	100	88
1966.....	133	78	102	79
1967.....	131	88	108	87
1968.....	89	68	120	96
1969.....	90	53	118	99
1970.....	57	33	104	77
1971.....	85	52	118	101
1972.....	103	65	135	114
1973.....	69	32	137	105
1974.....	47	21	113	71

¹ Includes stocks of American, Delta, Eastern, National (included since August of 1970), Pan American, Trans World, and UAL. High of 1965=100. Data taken from Standard and Poor's airline group stock index.

² High of 1965=100. Data taken from Standard and Poor's 425 industrial stock price index.

EXHIBIT 6

ANALYSIS OF STRIKE LOSSES, MUTUAL AID PAYMENTS AND PRETAX INCOME BY STRIKE

[In thousands of dollars]

Strike	Strike loss ¹	Mutual aid payments ¹	Net pretax income from airline operations (before receipt of mutual aid payments) ³
Continental Airlines, 1958.....	\$(3,616)	\$2,619	\$(2,837)
TWA, 1958.....	(5,094)	2,372	(5,548)
Eastern Airlines, 1958.....	(6,886)	1,060	9,523
American Airlines, 1958-59 ²	(11,398)	3,372	61,397
Eastern Airlines, 1960.....	(6,500)	951	(8,737)
Northwest Orient Airlines, 1960-61 ²	(5,259)	3,601	5,905
American Airlines, 1961.....	(1,466)	1,059	(12,196)
Eastern Airlines, 1961.....	(3,913)	198	(24,308)
Pan American World Airways, 1961.....	(3,001)	121	12,823
TWA, 1961.....	(2,403)	699	(57,812)
Eastern Airlines, 1962.....	(25,224)	16,016	(35,025)
Pan American World Airways, 1965.....	(5,848)	3,450	70,016
Eastern Airlines, 1966.....	(26,079)	7,667	7,352
Northwest Orient Airlines, 1966.....	(17,008)	2,492	96,919
United Airlines, 1966.....	(61,131)	17,943	45,208
TWA, 1966.....	(58,600)	17,962	30,709
American Airlines, 1969.....	(35,617)	20,339	28,765
Pan American World Airways, 1969.....	(4,373)	1,689	(45,994)
National Airlines, 1970.....	(47,373)	27,985	(24,460)
Northwest Airlines, 1970.....	(87,551)	47,287	(2,727)
TWA, 1970.....	(7,336)	3,452	(93,502)
Piedmont, 1970-71 ²	(16,139)	5,861	³ (10,624)
Hughes Air West, 1971-72 ²	(10,904)	8,479	(9,887)
Northwest Airlines, 1972.....	(86,293)	43,925	(26,672)
Eastern Airlines, 1973.....	(2,064)	602	(64,635)
Ozark Airlines, 1973.....	(12,904)	6,582	(6,717)
TWA, 1973.....	(90,547)	74,443	(21,868)
National Airlines, 1974 ⁴	(66,346)	43,446	³ 6,554
Braniff Airlines, 1974 ⁴	(3,493)	620	³ 34,780

¹ Source data obtained from exhibits in CAB mutual aid proceedings and carrier records.

² Strike loss, mutual aid payments and pretax income are for the 2 years indicated.

³ Source data was obtained from sources which prepared the data from reports filed with the CAB.

⁴ Based on preliminary data

⁵ Net pretax income before mutual aid receipt of payments is derived by subtracting mutual aid payments from earnings before tax as reported in "Moody's Transportation Manuals". The earnings before tax is as stated in reports filed with the CAB and pertains to airline operations only.

Mr. GINTHER. At this time the subcommittee will stand adjourned, subject to the call of the Chair, at which time the CAB will appear and testify, together with Professor Northrup.

[Whereupon, at 3:25 p.m., the hearing was adjourned, subject to the call of the Chair.]

ABOLISH THE AIRLINES' MUTUAL AID PACT AGREEMENT

WEDNESDAY, OCTOBER 8, 1975

UNITED STATES SENATE,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON AVIATION,
Washington, D.C.

The subcommittee met at 10:15 a.m. in room 5110, Dirksen Senate Office Building, Hon. Howard W. Cannon (chairman of the subcommittee) presiding.

Senator CANNON. The hearings will come to order.

Today's hearing is a continuation of the subcommittee's consideration of S. 306, a bill introduced by Senator Gravel and others to abolish the airlines' mutual aid agreement.

Basically, the mutual aid pact, or MAP as it is known in the industry, is a strike insurance program organized by the scheduled airlines so that when one or more carriers suffers a labor strike, that carrier or carriers is entitled to receive financial payments from nonstruck carriers.

The present agreement was approved by the CAB in 1972, and has been upheld by the courts of the United States. This bill would legislatively achieve what the Board and the courts have refused to do—that is, to deny to airline management a financial self-help program aimed at providing financial assistance to a stuck airline.

In April of this year, the subcommittee held hearings at which representatives of both labor organizations and the air carriers presented testimony on the mutual aid agreement. During those hearings, a member of the subcommittee requested that we also call the CAB to testify on the agreement since the Board has on past occasions considered mutual aid programs agreed to by the airlines and approved them.

Our witness today is the Honorable John E. Robson, Chairman of the Civil Aeronautics Board.

STATEMENT OF HON. JOHN E. ROBSON, CHAIRMAN, CIVIL AERONAUTICS BOARD; ACCOMPANIED BY JAMES SCHULTZ; HOWARD COHEN; AND MR. TSERONIS

Mr. ROBSON. Thank you, Mr. Chairman.

For purposes of the record, I would like to identify those with me. Mr. James Schultz, the Board's General Counsel, on my right. On my left, Mr. Howard A. Cohen, Special Counsel to the Chairman. Mr. Tseronis of the Office of the Bureau of Accounts and Statistics.

Mr. Chairman, it is my pleasure to appear before you today to offer the Board's views on legislation which would abolish the airlines' mutual aid agreement. It is a subject which evokes heated debate and on which emotions frequently run high. It is a subject, as well, on which reasonable men hold totally opposing views. Indeed, my colleagues, members Minetti and West do not join in the testimony I will present.

The issue before you is whether all forms of mutual aid arrangements should be legislatively banned.

In addressing that issue I should like to make a couple of points at the outset.

The first is to recognize that the Board's public responsibilities require its actions to be taken without biased pursuit of a course deliberately designed to advantage the interests of either management or labor at the expense of the other.

While a particular decision may, or may be seen to, accrue to the benefit of management or labor, it must be made on the basis of an objective assessment of the facts and the Board's best judgment of what is right. The statutory standard against which the mutual aid pact is measured nowhere suggests any room for favoritism by the Board.

Second, it is unusual, in a matter on which such strong opposing views are held, that the basic facts—those which can fairly be said to be objectively ascertainable—are not in material dispute. Since the record before this committee and the records of the Board's hearings and orders concerning mutual aid are replete with statistics and citations of court decision, I shall not here recount them at length. But they would appear to establish the following:

One: The mutual aid pact is a form of strike insurance, a method of economic assistance available to airline employers. It does not violate the antitrust laws. It rests on the principle that parties should be free to marshal the economic resources at their disposal in the resolution of a labor dispute. The right of parties to labor disputes to receive moneys to sustain their bargaining strength is recognized in both the Clayton Act and the Norris-LaGuardia Act.

Two: The specific mutual aid pact now in effect been judicially reviewed and declared lawful. Last year the Court of Appeals of the District of Columbia affirmed the board's order approving the pact and the Supreme Court of the United States declined to review that decision.

Three: Over the past decade or so the number of airline strikes has declined, but the duration of strikes has increased.

Four: Airline employees as a group are among the highest paid employees compared to employees in other sectors of the economy. Airline employee wages have just about doubled during the past decade. And for some, actual work days per month are much fewer than the American average.

I do not attempt to characterize this as good or bad. It is simply that airline employees have done very well economically compared to their colleagues in other labor sectors. This progress has been achieved through the collective bargaining process during the period when various versions of the mutual aid pact have been in effect.

Five: While airline employee wages have outstripped increases in the consumer price index, productivity increases in the airline industry have been declining. At the present time labor costs amount to nearly half of the operating costs of the airlines—costs which are ultimately reflected in the fares paid by the traveling public.

Six: Overall, the effect of airline strikes has been to impose financial losses on the carriers.

As I indicated above, the statistics are essentially unchallenged. The heart of the matter is what interpretation is put upon these facts. And I submit to you that one's interpretation is primarily a matter of his perspective.

From labor's point of view—because it offers the carrier financial assistance during a work stoppage—the pact unduly strengthens management's position, induces strikes and prolongs negotiations after a strike has commenced. In short, labor sees the pact as undermining the collective bargaining process.

From management's point of view the mutual aid pact is a lawful and legitimate resort to self-help and provides, in a strike-vulnerable industry offering a perishable service and threatened with permanent diversion of traffic to competitors by reason of strikes, some means of maintaining a credible bargaining position and avoiding capitulation to any demands labor might make. In management's view the pact preserves a meaningful collective bargaining process.

These same perspectives govern the views of the contesting parties about the causal effect of the pact on the occurrence and duration of strikes.

In the board's view neither labor nor management in the airline industry has an incentive to permit work stoppages to occur. Strikes are simply too costly and disruptive to benefit either side. Indeed, in recent years, the frequency of airline strikes has declined and all but a very small percentage of airline labor settlements are reached without any work stoppage—points which would seem to confirm the board's belief.

In addition, the claim that the mutual aid pact impels management to encourage strikes does not seem supported by the fact that in a number of recent cases work stoppages have occurred after management agreed either to accept mediators' recommendations or to submit the items in negotiation to arbitration.

It is, frankly, more difficult to assess the effect of the mutual aid pact on the duration of work stoppages. Certainly insulation from economic pressure may delay the moment of settlement. But the length of any particular strike is influenced by a host of factors: imminency or bargaining with other unions; the nature of the most seriously disputed issues (sometimes they are not wage levels); and in some instances, the personal chemistry of the negotiators.

Moreover, even if it is assumed that the pact results in a lessening of economic pressures during the early part of a work stoppage, the pressures of post-strike losses and long term diversion of traffic to competitors poses a real economic inducement of the carriers to reach settlement without extended work stoppages. Strike benefit payments to employees also provide economic insulation to the individual and enables the union to endure work stoppage to achieve its goals.

Unquestionably the interruption of air service from an airline strike can impose hardship on the public. But so does a level of air fares paid by the consumer which may reflect labor costs achieved in circumstances where the management is unable to maintain a bargaining stance leading to a balanced settlement. To reach perfect equipoise is not easy in so uncertain a field of human relations.

Mr. Chairman, it is not the role of the board to adopt the perspective of either management or labor. It is our job today to offer our best judgment on whether the mutual aid pact is so offensive to the public interest that Congress should abolish it—in effect create an exception for airline management which is not imposed on management in other sectors of our economy. Based on the evidence before us today and our best judgment, we cannot find such a compelling need.

That is not to say that every mutual aid arrangement will meet the tests for approval prescribed by the Federal Aviation Act. But it suggests that legislative abolition of any mutual aid pact would not be warranted.

Further experience under the current mutual aid pact, which expires in 2½ years, may provide additional data as to its effect on the public interest so as to require revision of the board's thinking. I would expect that its renewal will be the subject of additional hearings which will provide the contending parties a fair opportunity to present their views and enable the Board to reevaluate experience under the current pact. At the moment, however, a majority of the board opposes enactment of the legislation which would abolish the mutual aid pact.

Thank you very much.

Senator CANNON. Thank you, Chairman Robson.

In the board's review of the mutual aid pact, has it ever been shown that an air carrier has been able to make a profit while on strike which would have exceeded its profits had it not been struck?

Mr. ROBSON. The statistics show that in a couple of instances, a carrier has made a profit during a struck period. I do not believe—however, I would like to have the opportunity to confirm that for the record—that it would show a profit in excess of what it would have made had it been operating on a normal basis.

Senator CANNON. That is the precise point I was interested in. In other words, have you ever found that the pact has been a source of greater profitability than would have occurred had the airline not been struck?

Mr. ROBSON. My answer, and I would like an opportunity to correct that for the record if I am wrong, is no, I do not believe so.

Senator CANNON. One of the major problems of airline strikes when they occur is that communities that are served by one air carrier are without air service if that airline is struck. Unions say that the pact furthers the prolongation of these strikes.

Can other carriers be forced to serve cities that find themselves without air service under those circumstances?

Mr. ROBSON. The Board has power to, by exemption, authorize carriers to serve communities that would be isolated by reason of a work stoppage.

Senator CANNON. Why has the Board never used that authority in the past?

Mr. ROBSON. I don't know that we have been requested to employ it in the case of a work stoppage. In some work stoppages—a recent one involving Northwest—I think they flew part of the system to ameliorate the problem you have described.

I do not know whether we have been requested to grant that.

Senator CANNON. I would suppose that part of that would depend on whether or not there was a carrier available, ready, willing and able to provide the service in that particular market. That might be a problem.

Mr. ROBSON. In many cases there is competitive service on a route of a carrier that is down because of work stoppage and the problem doesn't arise. But we do have the legal authority to do so.

Senator CANNON. There have been charges that the Mutual Aid Agreement serves only to subsidize a handful of carriers that have no interest in good labor relations at the expense of other airlines. Two carriers in particular have been beneficiaries of such payments.

Has the Board studied that charge and if so, what are your findings on it?

Mr. ROBSON. In recent years the fact is that the two carriers to whom you refer have been those with the most frequent work stoppages. I cannot testify to the state of their labor relations. It is true that the other carriers by reason of the Mutual Aid Pact support that.

On the other hand, they are entitled to withdraw from the pact if they do not feel it is in their interest to remain a member. Indeed some have and some are not members of the pact.

Senator CANNON. The pact is entirely voluntary. It is a voluntary help program among the carriers once they adopt it.

Mr. ROBSON. That is right and once you're in, you're entitled to give 1 year's notice to withdraw. Pan American recently has given such notice.

Senator CANNON. Labor as well as has self-help provisions. Is that uniform in the industry?

Mr. ROBSON. Yes, sir; they do. They have strike benefits. They have forms of economic assistance that obviously give them an opportunity to hold out during a work stoppage. So there is a mutuality of concept.

Senator CANNON. Let me ask this: If the Congress were to take the position that the Mutual Aid Pact should be legislatively disallowed, should it in all equity and fairness require that such agreements among labor likewise be disallowed to put the parties in an equitable position?

Mr. ROBSON. As a hypothetical intellectual question, I think that is right. There are forms of economic assistance on both sides. In perfect equity, you would try to put the parties on the same plane.

Senator CANNON. If the Mutual Aid Pact were disallowed, is there, in your judgment, a carrier in existence today that could stand a prolonged strike as a result of a labor difficulty, or would they be confronted with either having to go down the drain, or to accept whatever proposal was presented to them?

Mr. ROBSON. I think the ability of management today to withstand a work stoppage on its own would be very, very limited. I think it

would be—you could very well see a strike being the occasion of a carrier failure.

Senator CANNON. The Transportation Association of America that is involved with people who are in the financial aspects of business have written a report that was presented to the Secretary of Transportation from the TAA investor panel. It is dated July 1975, entitled "Maintaining a Financial Viable Airline Industry."

Have you had an opportunity to review that, or were you in on the presentation?

Mr. ROBSON. I was not in on the presentation. I have a rough idea of what is in it, Senator Cannon, but I have not studied it.

Senator CANNON. These people, of course, are interested in the financial help to the carriers because they furnish the financing. They furnish it or refuse to furnish it depending on the current situation. Of course, they are interested in having a sound investment.

I noted they made four recommendations in their summary and one of them I was going to ask you to comment on, if you have had the opportunity to consider it.

I will read it to you and then you can tell me whether you are prepared to respond to it:

Enact a labor law for air transportation which prohibits strikes and if the company and union are unable to reach agreement between a predetermined time requires a mediator be appointed who must select the last offer of the company or union which selection shall be binding.

This method of settlement could eliminate costly strikes, reduce outlandish demands, save market shares without the related substantial costs usually incurred to get back to normal and eliminate the need for the Mutual Aid Pact.

Mr. ROBSON. May I comment on that for the record?

I'm aware that is a proposal, Senator, that has been around.

Senator CANNON. I wouldn't want you to comment for the record on it if you haven't had the opportunity to consider it. I would be very much interested in you giving consideration to it and supplying a response for the record. I don't want to necessarily indicate that I am favoring that, but I'm interested in knowing what the reaction is to it.

As a matter of fact, some of their other recommendations I'm completely opposed to, where they suggest that the airport and airways fund be used to help the carriers out of their present difficulty. I have opposed the raiding of the fund by the administration for their purposes and I would oppose raiding it for any other purpose as well.

I think we may be able to make adjustments in it to keep the fund healthy and perhaps to do something to encourage more people to travel.

Mr. ROBSON. If I may respond to that later, I may do so.

Senator CANNON. Very well.

Mr. GINTHER. Mr. Chairman, the committee has been importuned by various communities in the States of North Dakota, Montana, and communities on the eastern side of the State of Washington which frequently are without east-west air service as a result of a labor disagreement.

These communities, several of whom implored the Board in the past, think there should be an adjustment in the Federal Aviation Act which would assure that if a monopoly carrier serving those markets was subjected to a long work stoppage, the Board would be required to designate and require another air carrier to provide service during the work stoppage period.

Mr. ROBSON. I don't know. I think it would clearly meet those cases where there was true hardship imposed on the traveling public by reason of a work stoppage.

One question is who would be the requester and on the face of it, basic concept of protecting the public, that wouldn't trouble me. I don't know how my colleagues would feel about it. That doesn't trouble me, however, but I haven't thought through the technical aspects of it.

Mr. GINTHER. If a work stoppage occurred resulting in curtailment of air service to a community for a long period, doesn't the Board have the responsibility to see that that community gets air service?

Mr. ROBSON. I have no problem with that.

Senator CANNON. I do. You have to find an air carrier willing and able to provide the air service. I would not want to think if you don't have that willingness that the Board could direct an unwilling carrier to provide service at their cost and their stockholders' cost in an area that may be completely uneconomic.

Mr. ROBSON. That is the question I asked as to who would be the requester.

Senator CANNON. If you have a carrier ready, willing, and able, that is one thing. If you don't, I think you get into real serious problems.

Let me ask you a question on another subject. I have just been briefed on the administration's so-called deregulation proposal. Let me ask if the Board had any hand in developing this proposal, or was consulted in the development of it, or are you prepared to make any comments at this time?

Mr. ROBSON. My answer to your question was no, the Board did not have any hand in its preparation. Indeed, it made a conscious decision, Senator Cannon, not to and took the position that our views on any legislation that was sent up by the administration would be offered in the appropriate forum of Congress.

Senator CANNON. I understand that the legislation will be coming up sometime this month. Of course, when it does and we have had the opportunity to review it somewhat, then we will expect to set hearings on it and to into the entire issue and we will look forward to your comments at that time.

Mr. ROBSON. We will be ready.

Senator CANNON. Thank you very much.

That concludes the hearings today. The committee stands in recess, subject to the call of the Chair.

[Whereupon, at 10:40, the hearing was recessed, subject to the call of the Chair.]

COMPARATIVE FINANCIAL ANALYSIS

[In millions of dollars]

Quarter ended	Operating revenues	Operating expenses	Operating profit (loss)	Net income (loss)	Net income as a percent of operating revenues	Operating profit as a percent of operating revenues
National Airlines, Inc. (strike period Aug. 4, 1974-Nov. 7, 1974):						
Sept. 30, 1972	88.4	79.2	9.2	4.2		
Dec. 31, 1972	95.3	83.8	11.5	5.1		
Total	183.7	163.0	20.7	9.3	5.0	11.3
1973:						
Sept. 30, 1973	100.6	89.6	11.0	4.0		
Dec. 31, 1973	105.3	91.5	13.8	5.6		
Total	205.9	181.1	24.8	9.6	4.7	12.0
1974:						
Sept. 30, 1974	52.4	46.6	5.8	2.3		
Dec. 31, 1974	70.3	71.9	(1.6)	(2.0)		
Total	122.7	118.5	4.2	.3	.2	3.4
Northwest Airlines, Inc. (strike period June 2, 1972-Oct. 2, 1972):						
June 30, 1971	105.0	99.2	5.8	3.4		
Sept. 30, 1971	129.2	105.9	23.3	19.4	15.0	18.0
Dec. 31, 1971	120.0	114.8	5.2	12.1		
Total	354.2	319.9	34.3	34.9	9.9	9.7
1972:						
June 30, 1972	129.1	118.1	11.0	9.0		
Sept. 30, 1972	45.2	43.4	1.8	3.3	7.3	4.0
Dec. 31, 1972	99.0	100.4	(1.4)	2.4		
Total	273.3	261.9	11.4	14.7	5.4	4.2
1973:						
June 30, 1973	141.4	131.1	10.3	12.0		
Sept. 30, 1973	163.4	137.8	25.6	17.6	10.8	15.7
Dec. 31, 1973	159.9	142.2	17.7	14.3		
Total	464.7	411.1	53.6	43.9	9.4	11.5
1974:						
June 30, 1974	195.8	169.8	25.9	19.6		
Sept. 30, 1974	218.2	183.3	34.9	22.9	10.5	16.0
Dec. 31, 1974	183.5	180.5	3.0	8.3		
Total	597.5	533.6	63.8	50.8	8.5	10.7

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

OKLAHOMA CHAMBER OF COMMERCE,
Oklahoma City, Okla., April 7, 1975.

COMMERCE COMMITTEE,
U.S. Senate, Washington, D.C.

Gentlemen: It is our understanding that on April 23 and 24 the Senate Commerce Aviation Subcommittee will hold hearings on S. 306 which provides for termination of the Airlines' Mutual Aid Pact.

Our 2,500 member business organization opposes passage of S. 306. MAP does not provide air carriers with undue advantages and does keep our airline services viable and has, in fact, shortened strikes. As you know, the U.S. Supreme Court and the Civil Aeronautics Board have both ruled that MAP constitutes a proper and legal compact.

Please consider this communication as part of the April 23 and 24 Hearings. Any consideration given to our position will be most appreciated.

Sincerely,

JACK G. SPRINGER, CCE,
Executive Vice President.

AIR CAPITAL LODGE No. 1650,
INTERNATIONAL ASSOCIATION
OF MACHINISTS AND AEROSPACE WORKERS,
Riverside, Mo., April 10, 1975.

HON. WARREN MAGNUSON,
*Senate Office Building,
Washington, D.C.*

DEAR SIR: As Chairman of Machinists Local 1650 Legislative Committee, I am urging your support of S. 306. This bill, as you undoubtedly know, would ban the Airline Mutual Aid Pact.

I have been authorized by Local President, Earl Wheeler, to state our Local's reasons for supporting the termination of the Mutual Aid Pact. I would like to point out that I accept full responsibility for any errors or omissions that may be found hereafter.

The Mutual Aid Pact came into being innocently enough in 1958. It had an original membership of six trunkline carriers. It was to last only one year. It authorized only "windfall" payments. (The term "windfall" will be explained later.) It authorized payments only if: (1) a Presidential Fact-Finding Board's order was violated; (2) provisions of the Railway Labor Act were violated; (3) a strike was considered "otherwise unlawful" according to the language of the Pact. The main selling points of the Pact were: (1) it would promote "respect" for the President's Fact-Finding Board; (2) it would protect the carriers from "extreme and unreasonable" union demands.

The Civil Aeronautics Board approved the Pact on May 20, 1959. Despite union objections, the board ruled the Pact was not in violation of the public interest nor the provisions of the Federal Aviation Act of 1958.

The Pact that originally was to have a one-year duration has grown into a monster. It has placed a wedge between labor and management. The airlines exist in an atmosphere of extreme competition—an industry where teamwork is essential to keep costs down and ticket prices down. Airline management, since the inception of Mutual Aid, has demonstrated a more hostile attitude at the bargaining table by replacing constructive industrial relations procedures with "hardline, take it or leave it" attitudes. This is born out by the number and length of airline strikes since 1958.

Before continuing further, it is necessary to explain the two terms "windfall" payments and "supplemental" payments. If, for example, two airlines are in direct competition between Miami and New York and one is struck, the non-struck carrier would carry more passengers. The additional passengers would account for additional revenue for the non-struck carrier. These additional

revenues, minus expenses, would then be turned over to the struck carrier. These would be "windfall" payments. "Supplemental" payments occur when, for example, an airline on the East Coast is struck, an airline on the West Coast still has to make "supplemental" payments to the struck carrier. These payments are based on their operating income for the previous year. These payments are required by all Pact members to ensure the struck carrier will receive their Pact guarantee.

The growth of the Pact since 1958 is as follows:

1. 1962. "Supplemental" payments were approved by the CAB to ensure the Pact guarantee of 25% of the struck carrier's normal pre-strike operating costs. In short, if windfall payments were too small to guarantee 25%, request supplemental payments. It should be noted that between 1962 and 1969, 22% of the total aid payments were "supplemental".
 2. 1967. The carriers requested indefinite approval of the 25% Pact guarantee and the "supplemental" payment provision.
 3. 1969. The carriers requested the Pact guarantee be raised from 25% to 50% of the struck carrier's normal operating revenue. The "supplemental" obligation was requested to be raised from $\frac{1}{2}$ of 1% to 1% of the previous year's operating expenses.
 4. 1970. Smaller, "local-service" airlines were permitted to join the Pact. These airlines are government subsidized.
 5. 1971. The CAB agreed to hold hearings concerning the legitimacy of the Pact.
 6. 1972. At the request of the CAB, the Pact was reviewed by Administrative Law Judge, A. S. Present. Judge Present concluded the potential dangers of longer strikes was evident and that aid payments be rolled back to pre-1969 levels.
 7. 1973. The CAB voted (three to two) to reverse Judge Present's decision.
- Since 1969, at least eight airline strikes have occurred. These strikes have averaged 102 days. Overall, the American industry strike length has remained constant at approximately 25 days since the 1930's.
- In defense of the Pact, the carriers compare Mutual Aid with strike payments. In reality, four airline unions pay no strike benefits. The Brotherhood of Railway, Airline and Steamship Clerks pays \$15 a week after two weeks on strike. The Machinists pay \$40 per week after two weeks on strike. I might add that at the present time, the Machinists' Strike Fund has declined to the point where no further payments are being made.
- In CAB Docket 9977, Judge Present states that a struck carrier's operating expenses are 29.2% of normal. Yet the airline being struck immediately begins collecting 50%. This percentage, in no case drops below 35%. This 35% figure is reached beginning the fifth week of a strike. No airline employee can boast of making a profit, or even subsistence, because of strike payments. The airlines cannot make this claim.

The Federal Aviation Act of 1958, Sec. 102 refers to a congressional policy of promoting and developing air transportation. It is difficult to see how the Mutual Aid Pact has promoted air transportation with the Pact promoting labor-management turmoil evidenced by pre-Aid strikes averaging 15 days to the present 102 days.

This letter could be continued almost to infinity. I am painfully aware of how much reading you have to do. Even in my small capacity, there is more reading than I can keep up with.

In closing, I would like to respectfully request you compare Civil Aeronautics Board Docket 9977 with the Airline Managements' Arguments contained in Congressional Research Service (HE 9901 Up. SP. C 74-149E). I believe you will find Judge Present discounting several of the pro-Pact arguments of the airlines.

In human terms, the price of Mutual Aid is incalculable. The 12,000 mechanics and related members of my union just concluded an agreement with our employer, TWA, Inc. Our previous agreement expired in October, 1973, and thanks to airline reliance on provisions of the Railway Labor Act (provision for unlimited mediation) and the support of Mutual Aid Payments, it was March, 1975 before an agreement was reached.

We sincerely believe the elimination of Mutual Aid will help restore the incentive for management to bargain in good faith. We would welcome a management return to constructive industrial relations. My local contends the vital catalyst for dispute settlement is the anticipated loss of revenue by the company and the anticipated loss of income by the employee.

Later this month your subcommittee will have the opportunity to decide the fate of Mutual Aid. We hope you will restore the balance in airline industrial relations and vote to ban the Mutual Aid Pact.

Sincerely yours,

JOHN A. BIRCH, *Chairman.*
DICK LINCOLN, *Member.*
FRED SPENCER, *Member.*

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, D.C., April 17, 1975.

Hon. HOWARD W. CANNON,
Chairman, Subcommittee on Aviation,
Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN. Enclosed are two letters I have received in support of legislation to terminate the Airlines Mutual Aid Pact. I would appreciate your keeping the views of my constituents in mind during your hearings on S. 306.

With kind regards, I am
Sincerely,

Enclosures.

QUENTIN N. BURDICK.

SENATE CHAMBER,
44TH LEGISLATIVE ASSEMBLY,
STATE OF NORTH DAKOTA,
Bismarck, April 5, 1975.

Senator QUENTIN N. BURDICK,
U.S. Senate, Washington, D.C.

DEAR SENATOR BURDICK: As you know, North Dakota suffered a great many travel inconveniences due to the Northwest Airlines strike which lasted 160 days. Perhaps this strike would have been settled much sooner, or may not have occurred at all, if they would not have had mutual aid agreements with other airlines. I do understand that H.R. 1320 would outlaw Airline Mutual Aid Agreements.

I do urge your supporting the passage of this bill.

Respectfully yours,

JOHN F. MAHER.

LASHKOWITZ LAW OFFICES,
Fargo, N. Dak., April 9, 1975.

Hon. QUENTIN BURDICK,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BURDICK: I am writing to strongly urge you to support the passage of H.R. 1320, which would outlaw the airlines' Mutual Aid Agreement.

This legislation has had the unfortunate consequence of encouraging and subsidizing the continuation of work stoppages by some airlines, by creating artificial profits, and by creating an imbalance in the negotiating process, thereby serving to preclude bona fide collective bargaining.

North Dakota has experienced the harmful consequences of the airlines' Mutual Aid Agreement, and I hope that the Congress will seize this opportunity and outlaw this regrettable practice which is discriminatory against the public as well as airline employees.

With kindest regards,
Respectfully,

HERSCHEL LASHKOWITZ.

AIR LINE PILOTS ASSOCIATION,
Denver, Colo., April 21, 1975.

Senator HOWARD CANNON,
Chairman, Senate Commerce Subcommittee on Aviation,
Senate Office Building, Washington, D.C.

Hon. Senator CANNON: I represent 157 Continental Airlines pilots in Denver, Colorado, who are all vitally interested in the Senate Commerce Subcommittee on Aviation and its hearings on the airlines Mutual Aid Pact. We heartily endorse the joint labor drive to "Scrap Map". Speaking for this group of professional airline pilots, I implore that you and the Subcommittee support the position of the Air Line Pilots Association as presented by our President J. J. O'Donnell.

ALPA's dedicated force of 32,000 pilots believes that the Mutual Aid Pact is not in the public interest, is detrimental to industry health and growth, and upsets the balance for good faith bargaining in labor disputes. It is a matter of record that since MAP's inception the length of airline strikes has more than doubled and that in excess of a quarter of a billion dollars has been paid to struck airlines by their non-struck competitors in this pact. The net result of this pact has been to increase the likelihood of strikes with their attendant hardships on employees, the interruption of air service to the traveling public, and in many instances allowing a carrier to earn a profit inspite of a protracted strike.

ALPA's President O'Donnell will present to the Subcommittee voluminous and detailed evidence to support ALPA's stand against MAP. May I respectfully request the Subcommittee support the Air Lines Pilots' Association with proposed legislation to outlaw the Airlines' Mutual Aid Pact?

Please share this letter with the full membership of your Subcommittee, and know that we in Denver, Colorado, and ALPA thank you for your service to the airline industry and our nation.

Sincerely,

CAPTAIN PHILIP B. NASH,
Chairman, Continental Local Executive Council No. 15, Denver, Colo.

GEORGIA CHAMBER OF COMMERCE,
Atlanta, Ga., April 24, 1975.

Hon. WARREN G. MAGNUSON,
U.S. Senate, Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR MAGNUSON: Last year, the Georgia Chamber of Commerce sent to each of its Congressional Delegation the attached letter in opposition to legislation as introduced in both the Senate and the House which would have abolished the Airlines Mutual Air Pact.

We were quite concerned to learn this week that action is now imminent through Public Hearings by the Aviation Sub-Committee of the Senate Commerce Committee, on S. 306 which proposes once again to terminate this most important agreement.

Although neither of Georgia's Senators are members of the Senate Commerce Committee, we sincerely hope our position of strong opposition will be considered during your deliberations and hope, also, that you will oppose S. 306.

Sincerely,

GLENN ANTHONY,
Manager, Governmental Department.

Enclosure.

JULY 22, 1974.

Hon. HERMAN E. TALMADGE,
U.S. Senator,
Washington, D.C.

DEAR SENATOR: On behalf of the Georgia Chamber of Commerce let me express our opposition to the rash of legislation which is now before the Congress with the intent of curtailing "Airline Mutual Aid."

As you are doubtless aware, this mutual aid plan benefits an air carrier under strike by its employees, enabling it to meet some of the mounting costs of the strike. It also prevents irreparable damage and possible bankruptcy to the carrier being struck, and insures that competitive carriers do not capitalize in its misfortune.

The principle of mutual help is already clearly established as a protected right of collective bargaining.

The present law serves the interest of air travelers, shippers and receivers of goods by air, and those whose jobs or businesses are supported by air transportation. It should be retained if we are not to jeopardize the delicate fabric of our air transportation system.

We hope you take a firm position against these proposals for change.

Sincerely,

GLENN ANTHONY,
Manager, Governmental Department.

THE WHARTON SCHOOL,
UNIVERSITY OF PENNSYLVANIA,
Philadelphia, April 28, 1975.

Hon. HOWARD W. CANNON,
Chairman, Subcommittee on Aviation,
Senate Commerce Committee,
Washington, D.C.

DEAR CHAIRMAN CANNON: I regret very much that prior engagements at the University required that I leave the hearings before I was able to testify. I would, however, like to add the following to my already submitted statement.

1. The data presented by the airlines in regard to wage and benefits in the industry are correct and based on government data or data from the actual contract. The pilots are the highest paid unionized employees in the world, and the employees of the industry rank No. 1 in the country.

2. There is no evidence whatsoever that mutual aid (a) hurt the employees, or (b) increased the number or expanded the duration of strikes. The information presented by the unions in this regard was considered at the CAB hearings and found without support.

3. In no other industry are employers prevented from banding together for mutual support in labor relations. In no other industry do they have to receive permission to do this from a government agency. The laws are already highly discriminatory against the airline industry.

If Congress passes S-306 or comparable legislation, it will be pushing the airlines farther down the course traveled by the railroads. We can expect, in ten years, dirty airplanes, inferior service, and exorbitant prices. Meanwhile, the net effect will be substantial decline in the number of airline employees. Just as government operations of the railroads during World War I began the decline of the railroad industry, so would government enactment of this bill initiate the precipitous decline of the airline industry as we know it.

In my 35 years in industrial relations I have never seen a more greedy performance than that of the airline pilots who already have inordinate and overwhelming bargaining power, as I did in the case of the proposed legislation.

Very sincerely yours,

HERBERT R. NORTHRUP.

CHAMBER OF COMMERCE OF THE UNITED STATES,
NATIONAL ECONOMIC DEVELOPMENT GROUP,
Washington, D.C., May 6, 1975.

Hon. HOWARD W. CANNON,
Chairman, Aviation Subcommittee, Senate Committee on Commerce, U.S. Senate,
Russell Senate Office Building, Washington, D.C.

DEAR SENATOR CANNON: The Chamber of Commerce of the United States hereby submits for inclusion in the record of hearings on S. 306, its opposition to this bill which would terminate the Airline Mutual Aid Agreement (AMAA). The U.S. Chamber expresses its concern not only on behalf of the participating airlines, some of which are Chamber members, but also on behalf of business generally, as well as our members who depend on, and use, airline services.

The Chamber's position is that the public interest, including that of those in organized labor who oppose the AMAA, will best be served if S. 306 and all bills with similar purposes are not enacted.

Industry data already submitted to the subcommittee show that strikes have a serious impact on air carriers, and can be catastrophic for smaller airlines. The

AMAA is designed to enable a struck airline to keep its head above water, albeit just barely, until labor and management can agree on terms of employment. In that fashion it is similar to a union's strike payments to its members or in union loans to assist another union during a strike. The incentive to come to terms is not eliminated by AMAA, as industry data show that losses are extensive even with payments made under the agreement.

Because Congress felt that ensuring appropriate levels of air transport service was in the public interest, it created the Civil Aeronautics Board to regulate commercial air service. The AMAA, also in the public interest, ensures that air carriers will not be destroyed by strikes, and will be able to continue both serving the public and providing employment. Without AMAA, the smaller airlines would probably be forced into bankruptcy either by capitulation to astronomic wage demands or in trying to ride out a strike.

Lastly, we believe that a private, intra-industry method of temporary strike assistance is certainly more desirable than increasing governmental subsidies to pay exorbitant wages to keep airlines operating or to support them during strikes

Very truly yours,

G. BROCKWEL HEYLIN,
Labor Relations Attorney.

U.S. SENATE,
Washington, D.C., May 23, 1975.

Hon. HOWARD W. CANNON,
*Chairman, Subcommittee on Aviation, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: I enclose copies of letters from the Maine State Chamber of Commerce and the Greater Portland Chamber of Commerce regarding S. 306, legislation pending before your Subcommittee which would terminate the Airlines Mutual Aid Agreement.

I understand that the Subcommittee's hearings on S. 306 have been recessed subject to call. I would appreciate your making these letters part of the hearings record.

With best wishes, I am
Sincerely,

EDMUND S. MUSKIE.

Enclosures.

MAINE STATE CHAMBER OF COMMERCE,
Portland, Maine, May 16, 1975.

Re S. 306—A bill to terminate the Airline Mutual Aid Agreement.

Hon. EDMUND S. MUSKIE,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR MUSKIE: The Maine State Chamber is opposed to the referenced legislation which would terminate the Airline Mutual Aid Agreement.

While Delta Airlines, the major air carrier serving Maine, is not a party to this agreement, we feel that the continuance of reliable scheduled air transportation connecting into Maine is essential, and that the continuance of the Airline Mutual Aid Agreement gives the traveling public as well as cargo service reasonable assurance that strikes would not be prolonged.

The Maine State Chamber urges you to consider opposition to S. 306.

Yours truly,

PHILIP P. PAUL,
Chairman-Transportation Council.

GREATER PORTLAND CHAMBER OF COMMERCE,
Portland, Maine, May 13, 1975.

Senator EDMUND S. MUSKIE,
U.S. Senate,
115 Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR MUSKIE: The Greater Portland Chamber of Commerce opposes any legislation which would seek to terminate the airlines mutual aid agreement and specifically are opposed to S. 306.

We see the mutual aid agreement as an effort on the part of the airlines to continue to provide competitive service during times of strikes and to guarantee continuance of that service once the strike has been settled. We feel that even though limited, it does provide the traveling and shipping public and the airline industry with some financial protection against the serious impact of strikes.

During the past 15 years, this agreement has been tested many times before the Civil Aeronautics Board. They have found, in each instance, that the agreement is in the public interest. As late as August 8, 1974, the United States Court of Appeals (No. 73-1214) affirmed the lower court's favorable holding on the Civil Aeronautics Board approval of the mutual aid agreement.

We urge you to vote against S. 306 and any other legislation which would eliminate or weaken the airlines mutual aid agreement.

Sincerely,

GEORGE W. GARRETT, CCE,
Executive Vice President.

MUTUAL AID— A Key To Bargaining Fairness

IN THE REAL WORLD of contemporary labor-management relations, a labor dispute has broad effects reaching far beyond those directly involved.

The outcome of that dispute may well significantly affect, perhaps for years to come, the course of subsequent labor negotiations. It may alter the competitive structure of the entire industry in many subtle and not-so-subtle ways. Thus, many individuals and organizations which are nominally "not involved" in the dispute may, in fact, have vital interests at stake.

Unions Provide 'Mutual Aid'...

The organized labor movement is well aware of this; indeed, it is the basis for virtually the entire organizational structure of labor unions. Routinely, non-affected union members will collect and disburse strike funds to their striking brethren. Routinely, members of even non-affiliated unions will honor the strikers' picket lines, regardless of the financial cost to themselves. Such actions constitute a clear recognition of the great mutuality of interest that non-participants share with the strikers.

...But Seek to Outlaw Management Efforts

But, having fought tenaciously — and successfully — for the right to protect their own interests through this kind of bargaining coordination, the unions are now seeking with equal vigor to deny that selfsame right to management. Only unions, they are in effect saying, should have the right to self-protection in labor disputes; and they contend that management should be legally prohibited from doing likewise.

Their immediate target is the so-called Airlines' Mutual Aid Agreement. Actually, it might better be called the "Airlines' Mutual Self-Protection Agreement," for it embodies the same type of self-protective characteristics as union strike funds, etc. The Agreement has been approved by the Civil Aeronautics Board; it has been approved by courts all the way up to and including the U.S. Supreme Court. Now the unions are supporting enactment of new legislation specifically to outlaw this Agreement, and the basic economic rights it embodies.

WHAT IS the Mutual Aid Agreement? Very briefly, it is a compact whereby airlines pledge to assist any of their number that may suffer a labor strike in order to partially offset the financial losses the struck carrier would otherwise suffer.

No Profits Under Mutual Aid

Note the words "partially offset." Mutual Aid does not, and is not intended to, make up for all (or even most) of a carrier's strike-related losses. In this, too, it functions precisely like a union strike fund, which pays each striker only a part of his lost wages. Indeed, the comparison is an apt one; both union strike funds and the Mutual Aid Agreement are intended for like purposes, funded in like ways, and seek like objectives.

Mutual Aid Pays Only Half of Strike Losses...

Under Mutual Aid, a carrier receives payments from other participating lines equal to only about 51% (on the average) of its *direct* strike-related losses during the course of the strike.¹ These funds allow the struck carrier to meet its heavy overhead costs (servicing of debt, maintenance of equipment and facilities, compensation for administrative staff, office expenses, etc.), which continue unabated whether the airline is shut down or not. Obviously, they do *not* permit the struck carrier, as union propaganda claims, to "profit" from the strike, or even to "break even."

...and Heavy Post-Strike Losses Not Covered

When a strike ends, its financial impact on the striking employees likewise ends; they return to their jobs, and resume drawing their wages. For the airline, however, this is not so. Passengers and shippers who could not be served during the strike have shifted their allegiance to other, competing carriers, and must be won back gradually at considerable expense and effort. Even a brief strike thus leads to substantial post-strike losses, which may exceed those incurred during the strike itself; a more lengthy shutdown can require months or years to effect full recovery.² But Mutual Aid stops when the strike stops, and the post-strike losses must be borne by the struck carrier alone — further evidence (if any is needed) of the "unprofitability" of a strike under Mutual Aid.

Airlines' Need for Strike Insurance:

IN ONE SENSE, Mutual Aid is a kind of multi-partite strike insurance for the airlines. In the air transportation industry it is a particularly important type of insurance, for airlines are especially vulnerable to

1. A survey of strikes by the Transport Workers Union against American Airlines in 1969; the Air Line Employees Association against National Airlines in 1970; the Brotherhood of Railway and Airline Clerks against Northwest Airlines in 1970; the Teamsters Union against Pan American World Airways in 1969, and the TWU against Trans World Airlines in 1970, shows Mutual Aid payments covered, respectively, only 57.1%, 59.1%, 54.0%, 38.6% and 33.4% of the strike losses.

2. In the five strikes referenced above, for example, post-strike losses ranged from a low of 72% to a high of 117% of the net losses (after Mutual Aid payments) from the strikes themselves.

strikes. The Civil Aeronautics Board, in considering the Mutual Aid Agreement, made this point well:

**—Perishability of Air
Transport Service**

“The air transport industry, as a service industry, differs from industries such as manufacturing in that the commodity it sells is perishable. Air transport service cannot be stored like manufactured goods, in contemplation of a strike. Once the plane door closes on empty available seats, that commodity is lost. The air transportation industry, even more than other transportation industries, is subject to this phenomenon because of its heavy dependence upon passenger transport, which is almost totally incapable of stockpiling.”³

**—Capital-Intensivity of Air
Transportation Industry**

Beyond this, there is also the fact that air transportation is enormously capital-intensive. It requires huge levels of investment to run an airline; a single aircraft, for example, can cost in excess of \$20 million. Over and above these operating equipment costs, there are expensive computerized reservations systems, maintenance facilities, etc. Airline capital investment for the major U.S. carriers is about \$10 billion, or more than 30 times annual industry earnings. And most or all of a carrier's investment must sit idle during a strike, for as long as the strike lasts.

**Heavy Pressure on Carriers
to Settle Strikes**

With its market deteriorating, its large investment unproductive, and much of its operating expense continuing, the pressures on an airline to settle a strike — even by surrendering wholly to demands it considers unreasonable — are immense. Without some form of insurance, most carriers would simply be incapable of sustaining extended work stoppages. It would be relatively easy for a determined union, whose members receive financial aid from both their union and the public coffers, to simply “outwait” a carrier, until no choice was left the carrier but to settle at any price demanded.

**Industry-Wide Impact
of Strikes**

AND THE IMPACT of such a settlement on other airlines would be substantial. Unlike other modes of transportation, airlines do not negotiate with their unions on an industry-wide basis, but individually, carrier by carrier. The unions prefer — even insist on — this type of arrangement because it gives them the opportunity to coordinate their tactics to their own best advantage, in a “whipsaw” kind of bargaining strategy.

**Unions' 'Whipsaw'
Bargaining**

Each “round” of contract negotiations begins with the union working out a contract with one individual airline whose existing contract happens to be the first to expire — Carrier A. Having done so, with or without a strike, it goes on to Carrier B — where, as a practical matter,

3. *Opinion No. 73-2-110, issued by the CAB in docket 9977, decided February 27, 1973, p. 9.*

Carrier A's settlement becomes the "floor" for subsequent negotiations. If Carrier B can be induced to settle for a little more, this, then, becomes the new "floor" for negotiations with Carrier C, and so on down the line.

Example: Airline Mechanics' Negotiations

This course of events is clearly visible in reviewing past airline negotiating sequences. In 1966, for example, airline mechanics represented by the International Association of Machinists struck five carriers (Eastern, National, Northwest, TWA and United) for 43 days to win a wage settlement rising to a top hourly wage of \$4.08. The settlement was signed August 25, 1966. On September 1, 1966, and September 30, 1966, Braniff and Continental accepted the same agreement with the IAM. But, with the strike-enforced IAM agreement as a base, the Transport Workers Union was able to force American Airlines to pay its TWU-represented mechanics a top wage of \$4.11 an hour; that agreement was signed September 29, 1966. Two months later Western Airlines settled with its mechanics (represented by the International Brotherhood of Teamsters) at a \$4.15 hourly wage rate, while on December 23, 1966, Pan American signed an agreement with the TWU for a top mechanics' wage of \$4.18.

The next round of carrier negotiations with the various mechanics' unions in 1969 produced an even wider spread. The first airline to settle, Flying Tiger Lines, contracted to pay its mechanics a top of \$5.00 per hour; by the time the negotiations progressed down the line to the last carrier, TWA, the top pay had climbed to \$5.65 an hour. In 1973-74 the mechanics' negotiations showed a similar progression, ranging from \$7.80 an hour for the first-settled contract (including wages, cost-of-living allowances, license premiums and line differentials) to \$8.65 for the last one.

Strategic Ploys of Unions in Bargaining

A clever negotiator — and the airline unions are nothing if not clever negotiators — can enhance the contract settlements he is able to achieve through strategic planning. For example, if Carrier A is an especially strong line financially, the union may choose to bide its time and accept a lower settlement than it might prefer. It then confronts Carrier B, which may be weaker, with much higher demands and prepares to enforce those demands with a strike. If it succeeds, it is in a much stronger position for future negotiations with Carriers C, D and so forth, because it has the high Carrier B settlement as precedent. By the time the next round of negotiations begins, Carrier A is under overwhelming pressure to grant a large "catch-up" settlement, and so begin the cycle all over again.

By carefully "singling out" weaker lines in this fashion, unions may be able to substantially better their labor contracts over what might otherwise have been possible. No-one knows this better than the carriers, who have been involved in these negotiating situations for years. Each carrier recognizes that, if one of its competitors signs a strike-enforced contract calling for exceptionally high wages, fringe

benefits, etc., that contract will ultimately result in higher labor costs for *all* carriers.

IT IS WITH THESE FACTORS IN MIND that the carriers have established the Mutual Aid Agreement. And there is one further consideration: Because of the peculiarities of the air transportation market, a major portion of the Mutual Aid payments merely return to a struck carrier money that would, but for the strike, have been earned by that carrier in the first place.

**Competitors Reap
Unexpected Traffic Gains
Due to Strike**

If one carrier is struck and closed down, its passengers and shippers do not normally forego their need for air transportation until the strike is over. Instead, they turn to competing lines, which must often increase their flight schedules to cope with the heavy and unexpected influx of new, strike-caused business.

**Mutual Aid Returns
'Windfall' to Struck Carrier**

This brings "windfall" profits to the struck line's competitors, at its expense; and it is this windfall that forms the nucleus of Mutual Aid payments. Rather than short-sightedly holding onto their temporary extra profits, the carriers choose to invest this money in an effort to help keep down costs of their own, future labor settlements, and take out insurance against future strikes by their own employees. It is, in sum, a sound and rational business decision, within the legitimate scope of a carrier's managerial discretion, and as such an inappropriate target for legislative intervention.

IT IS CHARGED BY UNIONS that the Mutual Aid Agreement gives the airlines unfair advantage in labor negotiations, by permitting the carriers to "gang up" on workers of a single airline. As an emotional argument this may be appealing, but the facts simply do not bear it out.

**Airline Workers Among
Best-Paid in U.S.**

First, no other industry in this country boasts employees as well-paid as airline workers. As of 1973 (the latest year for which full industry figures are available), the average airline employee earned just under \$15,000 a year, with annual increases in recent years running at or over 10% a year. Data issued by the Federal Bureau of Labor Statistics show these figures at or near the top of the list for all U.S. industries. As the Civil Aeronautics Board has commented, such pay levels "do not show that [the Mutual Aid Agreement] deprives employees of effective bargaining power."⁴

4. *Ibid.*, p. 10.

Jet Captains Earn Up to \$100,000 a Year

It is especially interesting to note that one of the unions which has taken the lead in the fight against Mutual Aid — the Air Line Pilots' Association — has active members who earn more than double the pay of members of Congress and governmental administrators. Some jet captains are paid \$100,000 a year in compensation (including about \$75,000 in salary and \$25,000 in fringe benefits of various types) for flight time averaging approximately 11 hours a week; the average compensation of all cockpit crew is about \$45,000 annually. Such figures hardly bespeak employees oppressed and impoverished by unfair management negotiating tactics.

Should Public Subsidize High Airline Employee Wages?

Indeed, such wage figures as these evoke serious questions of public interest. With their closely regulated rate and fare structures, airlines have no option but to seek higher rates and fares when their labor costs rise; thus, ultimately the consuming public must share the cost of union-negotiated wage increases. It is not suggested that airline workers should be deprived of fair wage levels merely to subsidize the travelling public; nor, however, does it appear in the public interest for these employees to demand abnormally high pay at the public expense. By any reasonable standard the airline unions have been able to negotiate generous settlements for their members notwithstanding the carriers' Mutual Aid Agreement; if outlawing that Agreement would lead (as seems quite possible) to still higher airline wage settlements, such legislative action does not appear wholly consistent with the public interest.

Unions Refuse Arbitration

Still further evidence that unions are not unduly disadvantaged by Mutual Aid may be found in the fact that, in most airline strikes, it is *management* that seeks to settle the dispute through arbitration — and it is the union that refuses.⁵ Surely, if the Mutual Aid Agreement did in fact overtip the bargaining scales in favor of management, the unions might be expected to show more enthusiasm for having their cause heard by an impartial arbitrator instead of becoming aggressors in the economic warfare of strikes.

IT IS ALSO ALLEGED that Mutual Aid helps unduly prolong strikes, by making management unreasonably resistant to legitimate union demands and financially better able to enforce that resistance.

5. Cf. the CAB's discussion, included in its above-referenced opinion (p. 15), of three strikes against National Airlines, Northwest Airlines and Mohawk Airlines:

"In the National strike the carrier accepted the National Mediation Board proffer of arbitration prior to commencement of the strike, but such proffer of arbitration was rejected by the union. In the Northwest strike the union rejected arbitration while the company had the arbitration proffer under consideration. In the Mohawk strike the carrier accepted arbitration as to most of the issues. The union initially rejected the proposed arbitration, although it later consented to arbitration provided that all the issues were submitted. Prior to the strike, the Mediator noted that the union's unwillingness to concentrate on reaching accord on the principal economic matters before trying to conclude agreement as to unresolved working conditions constituted an impediment in the mediation proceedings."

Strikes Not Prolonged by Mutual Aid

First, this is simply not borne out by the facts; a careful review of the length of strikes with and without Mutual Aid reveals no statistically significant difference in their duration or frequency. Since Mutual Aid was initiated in 1958, the average strike against a participating carrier has lasted 34.8 days; the average strike against non-participants has lasted 34.4 days.

Carriers Retain Incentives to Settle Strikes Promptly:

Moreover, as a practical matter, the fact that Mutual Aid offsets only part of a carrier's strike-caused losses means that carriers retain a very substantial economic incentive to settle promptly, if they can do so on terms they consider equitable. Certainly no reasonable person would suggest it is necessary to force a business to the verge of insolvency before it will be willing to compromise a labor dispute on mutually fair terms.

—The Longer the Strike, the Greater the Carrier's Loss

Third, the longer the strike lasts, the greater will be the post-strike economic damage — damage that is in no way covered by Mutual Aid. For example, the marketing effort that will have to be made to recapture lost traffic after the strike ends increases with each day the strike lasts. And there can be heavy added post-strike costs, too, such as re-training and re-qualifying pilots (according to federal law) after a long strike.

—Other Carriers Press for Settlement

And finally, the fact that other airlines are helping share the economic cost of the strike generates considerable "peer-group pressure" on the struck carrier to act responsibly. Striking unions may find themselves with unexpected allies against simple obstinacy, or quibbling over insignificant sums or issues, on the part of the struck carrier's management. This is a factor that cannot be precisely measured, of course, but is nevertheless an important one in the real world of airline labor negotiations.

Management Entitled to the Same Self-Protection Rights as Labor

BEYOND ALL OF THESE ISSUES, there is also the fundamental matter of fair administration of the National Labor Policy. If unions are permitted, through general strike funds, honoring picket lines and other such tactics, to recognize the interrelated nature of labor negotiations, can basic considerations of equity be perverted to bar management from doing likewise? Is it reasonable that one set of rules should apply to labor, another to management?

The principles underlying the National Labor Policy envision collective bargaining between parties who can meet on a level of parity, so that neither side may impose its will on the other by main force. The purpose of Mutual Aid is to maintain, not subvert, that equality and the bargaining balance it implies; and the results of recent airline labor negotiations clearly indicate that no imbalance has resulted.

**Should Principles of
Fairness Apply Differently
to Management?**

Long years ago, harsh and repressive laws forbade workers to join together to collectively negotiate with their employers. Today a similar threat confronts management. If any member of our society, individual or corporate, is enjoined by law from protecting his interests wherever they may lie, the guiding principles of American society are in dire danger. As an expression of each man's right to defend his own interests within the confines of the law, Mutual Aid should not be overturned without good cause — cause which, as the facts demonstrate, does not now exist.

STATEMENT OF WILLIAM A. GILL, JR., PRESIDENT, FLIGHT ENGINEERS' INTERNATIONAL ASSOCIATION, AFL-CIO

I am the elected International President of the Flight Engineers' International Association, AFL-CIO, representing some 2000 Flight Engineers employed on U.S. national airlines, with thirteen International Affiliate Chapters representing 2600 Flight Engineers throughout the world. I am also a Flight Engineer employed by Pan American World Airways since 1952.

Since the views of organized labor in the airline industry are so competently and completely reflected in the testimony of Mr. George Meany and the representatives of the Transport Workers Union, the International Association of Machinists, the Air Line Pilots Association, the International Brotherhood of Teamsters and other labor organizations I am not offering any additional personal testimony in this hearing.

I have read the proposed testimony of Mr. Meany and of these representatives and wish to be recorded as supporting their facts and views. The Flight Engineers, too, have been the victims of the prolonging impact of the Mutual Aid Pact on strikes in the airline industry. Our organization has no pact with any other labor organization nor does it receive any financial support from outside our own membership. We bargain on our own resources against the resources of the entire airline industry. We consider it grossly improper and unfair for us to be the victims of prolonged work stoppages in disputes which could be readily and opportunely settled by an airline on its own with a union on its own.

The legislation being proposed to this Committee, S. 306, is essential to the industrial well-being of the employees of the airline industry. Their only other appropriate recourse is the formation of pacts of their own throughout the industry which would inevitably lead to chaotic nationwide strikes and shutdowns with immeasurable damage to the Nation's economy, to the people's right to suitable transportation by air, to the benefit of the employees of all airlines and to the profitable operations of the airlines themselves.

This Committee is urged to approve and recommend S. 306 for adoption by the Congress.

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

The National Association of Manufacturers would like to submit this statement in support of the Airline Mutual Aid Agreement. The NAM is a voluntary, non-profit business organization whose membership includes employers of all sizes and accounts for a major portion of all manufacturing business in the United States. In its role as a user of airlines private industry has a substantial interest in this subject. There are pending in Congress a number of identical Bills, Union initiated, which would amend the Federal Aviation Act by the insertion of an explicit provision terminating approval of the airlines' Mutual Aid Agreement. The bills represent special interest legislation for the benefit of a small number of extremely powerful unions representing some of the highest paid unionized workers in the world. These include airline pilots who average over \$45,000 in compensation with some exceeding \$90,000 per year. They are asking Congress to enact legislation contrary to the best interests of the public.

The NAM further believes that if the unions are able to abrogate the Mutual Aid Agreement by naked use of political muscle the implications would be serious to all American industry. Various forms of mutual aid in other industries would be jeopardized despite the fact that they are necessary in order to maintain equality at the bargaining table. The airline Mutual Aid Agreement is a defensive measure to afford some protection against the serious public impact of airline union strikes. It only comes into play if a union calls a strike, and is akin to strike insurance except that it covers only a part of the total losses incurred and it is paid for by other airlines out of their revenues.

During its history the Mutual Aid Agreement has been reviewed several times by the Civil Aeronautics Board which concluded that the agreement is entirely consistent with the public interest and sound in principle. The Court of Appeals in the District of Columbia affirmed those actions by the CAB, and on March 17, 1975, the Supreme Court refused to review the lower court's decision in favor of Mutual Aid.

The NAM strongly feels that the Mutual Aid Agreement, which is similar to other strike protection agreements in U.S. industry, is a partial defense against highly coordinated union tactics and broadbased strategies. It is not only legitimate

but necessary if the airlines are to maintain even a semblance of control over their rapidly escalating labor costs. The financial aid provided by the agreement enables airlines to resist excessive union strike-supported demands.

The NAM feels that the Mutual Aid Agreement is a legitimate response to union coordination and is especially justified in light of the severe damage that unions are able to inflict on airlines through strikes. If Mutual Aid is abolished it would mean that the airlines will be fighting with both hands tied behind their backs when they attempt to negotiate collective bargaining agreements with unions who represent employees who are already paid at the highest levels in American Industry.

The prospect of terminating the Airline Mutual Aid Agreement threatens to undo all forms of protective anti-strike agreements that presently exist in U.S. industry. The National Association of Manufacturers strongly opposes enactment of S-306 and urges the committee to assure the continuation of the Airline Mutual Aid Agreement.

[The following information was referred to on p. 42:]

REBUTTAL STATEMENT OF CAPT. JOHN J. O'DONNELL, PRESIDENT, AIR LINE PILOTS ASSOCIATION

Mr. Chairman, when I testified before your Committee on April 23, 1975, you suggested that I might want to study data submitted by the ATA (not then available to me) in order to clear up apparent inconsistencies between the ATA's statement and ALPA's statement (Tr. p. 91). I am grateful for your concern and sense of fair play and I am pleased to comply. This statement is ALPA's "rebuttal" to the ATA's economic submission and I respectfully request that it be admitted into the record.

We disagree with much of what the ATA and the Pact members have said. We shall dispute many of the facts that they have advanced in their joint testimony of April 24. We would like to rebut the entire ATA position in greater detail. However, we shall limit our comments exclusively to the economic arguments advanced by Mr. Ignatius. As it is, most of the issues raised by the ATA appear to have elicited more attention than they deserve. For example, the issue of pilot salaries, the question of employee productivity, the extent to which strikes are (or are not) profitable—these are topics far removed from the legislation before this Committee. We shall address these points, of course. We cannot afford to let them go unchallenged. But we do not want the Committee to interpret the vigor of our response as an admission by ALPA that the facts in dispute are of any particular moment. We do not want the Committee to get bogged down in trivia. We do not want this important inquiry to degenerate into a rehash of economic methodology or a "who shot John" that attempts to trace what chain of events initiated by what party led to a strike and/or prolonged it needlessly.

The fundamental issue before this Committee is whether the sense of Congress embodied in the Railway Labor Act can be effectively carried out under existing conditions. An ancillary question is whether the right to strike, guaranteed under the RLA, is to be preserved as a viable employee option in those instances where negotiations break down and differences become irreconcilable.

Mr. Chairman, these are the large public interest issues that you must address. They are central to this proceeding. Other considerations may be of topical interest but, in the long run, they are either tangential or wholly irrelevant. Having uttered this caveat, we shall now proceed to rebut specific arguments and data submitted by the carriers through the ATA insofar as they are inconsistent with the data submitted in ALPA's "basic statement" or at odds with the facts as we know them.

THE ATA HAS IMPROPERLY FRAMED THE BASIC ISSUES

The ATA has framed the fundamental issue as whether the Mutual Aid Pact has been detrimental to airline employees. We do not share this view.

We have already stated our interpretation of the question before this Committee: Whether the Railway Labor Act can be effective (indeed, whether it can survive at all) under conditions created by the Mutual Aid Pact?

There is a statute on the books—the Railway Labor Act. Its purpose is clear: To encourage the settlement of differences between labor and management through the medium of negotiations. On the other hand, the CAB, through joint carrier agreements filed under Section 412 of the Act, has allowed the emergence and the

development of a harsher labor policy: one of open confrontation, thereby contradicting the very essence of the RLA. The question before this Committee is whether such a circumvention of Congressional intent (manifested in the RLA) is to be allowed by administrative indirection through the Federal Aviation Act.

The reasons in support of the Pact may appear persuasive at first blush. However, on closer examinations, we believe that the Committee must conclude that the underlying rationale of the Pact conflicts with the RLA and, in fact, amends it by administrative action taken pursuant to the Federal Aviation Act. We believe that this Committee must come to grips with the fact that two antithetical labor law concepts—negotiations versus confrontation—now govern labor relations in the air transportation industry. And that this situation has created and will continue to perpetuate a hardened attitude on both sides of the bargaining table—that only Congressional action can soften.

THE ATA HAS DISTORTED THE FACTS IN ORDER TO PROVE ITS CASE

If the ATA's statement of the issue (previously rebutted) is accepted as correct, it follows that subissues of employee compensation, employee productivity, industry profits, and other questions pertaining to the relative bargaining strength of either side are proper subjects of discussion. We have already stated our disagreement with the ATA's position in this regard. Nonetheless, we believe that no matter how the issues are framed, the ATA has not made a convincing case. We have examined the extensive data contained in various tables to the ATA's written testimony.¹ As you shall see from our discussion, the tables raise more questions than they answer and mislead, rather than inform. In several instances, data have been seriously distorted or isolated out of context and held out as being representative of the norm. Economic documentation of this kind, because it is extreme and result oriented, is unreliable and should not be accorded any weight.

ATA Tables 1 and 2 purport to depict strike losses (Table 1) and mutual aid as a percentage of strike losses (Table 2). The use of the term "losses" by the ATA is misleading unless it is read in the light of information contained in notes at the bottom of both tables. The ATA tells us that "losses" calculated for the 1969-1974 period—the period during which supplemental payments were increased from one-half of one percent of air transport revenues for the previous calendar year, to one percent—include "lost profits before taxes and losses during the immediate post strike period".² Thus, these so-called "strike losses" include: (1) expenses incurred by the struck carrier in excess of revenues generated during the strike and post-strike periods; (2) the net profits lost to the struck carrier because of the strike; and (3) the net between non-operating income and non-operating expenses during the strike and post strike periods.

The principal item of dispute in the above three components is the inclusion of net profits lost by reason of a strike as an element of recovery.³ Under such a rationale, obviously, a strike is supposed to create only minor discomfort, thereby defeating its very purpose. Equally apparent under such an assumption is the fact that the inclusion of unrealized profits inflates carrier losses and tends to minimize the size and importance of mutual aid payments, supporting thereby, the ATA's contention that the Pact is no more than a modest means of self-help.

We do not believe that the Committee will allow itself to be so misled. ALPA has repeatedly argued that the Pact has upset the bargaining equation; that the large payments available to struck carriers more than cover reduced operating costs during a strike period. Nevertheless, the issue before this Committee is not whether a strike is or is not profitable under the Pact.⁴ The point to be addressed is whether the right to strike is to remain a valid economic weapon under the RLA and whether a strike's economic force should exert pressure on the struck entity. Because we take the affirmative on both points, we contend that any intercarrier remuneration, no matter how slight, compromises the effectiveness of a strike and damages the rights of labor.

¹ Tables 1-10 have been reproduced and are attached to this rebuttal for the convenience of the Committee.

² Table 1, fn. 2; see, also, the note to Table 2.

³ We do not imply that mutual aid reimburses a carrier for lost profits. Mutual Aid is allegedly intended to cover only out-of-pocket losses incurred during the strike period.

⁴ As we have seen, the question of profitability turns on how a "loss" is defined. In the case litigated before the CAB, the Administrative Law Judge took the position (properly so, we believe) that a definition of "loss" should include only out-of-pocket expenses and concluded that revised strike payments under the Pact made strikes profitable. The Board disagreed, redefined "loss" to include a carrier's forecast of net profits, and reversed.

If the Railway Labor Act is to remain the controlling statute, the right to conduct an effective work stoppage must be preserved. When a strike can no longer inflict economic injury—as is the case today—management (as we have learned) loses its incentive to bargain with the same amount of intensity and good faith. S. 306 would correct this deficiency.

Table 3 relates average annual compensation per airline employee to carrier net income for the period 1967–1974 and attempts to draw valid conclusions from the comparison. Such an approach is economically deficient. The ATA's analysis rests upon the establishment of a meaningful relationship between employee compensation (a measure of economic input) and bottom line profitability (a measure of economic output). This sort of analysis may be meaningful in industries where manufactured goods are tangible and can be stockpiled, and where the turnover in the inventory is relatively constant. It does not work in the air transportation industry where the goods sold assume the characteristics of a service and are impossible to stockpile.

What the ATA has attempted, therefore, is an "apples and oranges" comparison that is absolutely worthless. Airline profits are principally a measure of a carrier's ability to exercise the various management options it has at its disposal so that it can sell its product at a price that covers costs and allows a profit. During the 1967–1974 period, total airline revenues increased at a much higher rate than employee salary costs. All things considered, therefore, employee costs, even though they rose, should not have been a significant factor in depressing profits below the 1967 base. We must look elsewhere. On the other hand, the purchase of large equipment (and related support equipment) that turned out to be in excess of traffic growth, high interest rates, and rising fuel prices clearly have been problem areas. These cost increases have been so severe that employee salary increases pale in comparison. Moreover, the purchase of wide-bodied equipment itself has created new jobs of a higher paying category. We must therefore conclude that the ATA's use of net profit as a measure of employee productivity is inappropriate.

ATA Tables 4 and 5 attempt to show that airline wages have risen at a rate faster than hourly wages for major nonseasonal domestic industries. The comparison is patently ridiculous.

The nature of air transportation (a highly technical, service-oriented industry) has all but dictated rigid employment standards and a higher than average employee selection. Correspondingly, wages have been higher. The ATA's analysis is predicated upon an indefensible assumption that coal miners, factory workers, and other employees with minimum skills and education can be readily interchanged with jet engine mechanics, dispatchers, pilots and flight attendants. We do not think that the Committee is prepared to make such an assumption.

The comparison drawn in Table 5 is also far from complete. It is one thing to compare airline employee wages with U.S. industrial wages according to data from the Bureau of Labor Statistics. But it is misleading in the extreme to submit such a comparison without furnishing the productivity indices also available from the same source. These missing data have been compiled by ALPA and are attached hereto as Appendix A. They show that between 1967 and 1973 airline employee productivity increased by 31 percent while industrial production rose by only 13 percent. Moreover CAB Form 41 data for the same period show that available ton miles per employee increased 69 percent. These are accurate measures of the airlines investment in employee salaries; not an "apples and oranges" comparison that is strained and misleading.

Table 6 represents a further attempt to distort and mislead by comparing increases in average employee compensation with increases in the U.S. Consumer Price Index (CPI) and with increases in airline revenues for the 1967–1974 period.

The misleading aspect of Table 6 stems from its comparison of employee compensation with average revenue per passenger mile. Again (as in Table 3), we are dealing with a comparison between a measure of economic input versus a measure of economic output. As a consequence, employees are being blamed for actions which they neither initiated nor controlled. Average revenue per passenger mile is entirely a measure of management's ability to market its product effectively. Implicit in this average are a host of decisions that fall strictly within the domain of management. For example, no line employee can be held responsible for the purchase of equipment, the filing of discount and group fares, the configuration of equipment, advertising campaigns and other marketing decisions. Yet, such an assumption is inherent in the ATA's premise. We believe that management should assume the responsibility for the results of its own decisions.

Table 7 depicts employee benefits available to TWA and Ozark pilots and mechanics. The exhibit is obviously intended to demonstrate the high level of benefits available to the employees of both these airlines.

We concede that the table is accurate insofar as it described fringe benefits available to TWA and Ozark pilots under ALPA contracts. We are proud of having been able to secure these advantages, particularly since they followed years of negotiations. However, we would make two points with regard to the life insurance and pension benefits: (1) a pilot by Federal Regulation is obliged to retire at age 60 and loses five peak earning years, compared with other professionals; (2) a pilot is never secure in his occupation because he must continually pass a rigorous physical examination every six months. ALPA estimates that only one out of seven pilots achieves retirement. In the light of these two points, we believe that the Committee is likely to acknowledge that the scope and level of these benefits do not appear to be without justification.

Table 8 illustrates two points: (1) the percentage of acceptance of Presidential Emergency Board recommendations during the 1946-1966 period; (2) the percentage of rejection during the same period. We do not question the accuracy of the data, only their relevance. No Presidential Emergency Board has been convened since 1966. Therefore, the relevance of Table 8 is somewhat questionable. Hopefully, the industry is beyond the massive confrontations that have led to Emergency Boards in the past. However, the escalation of confrontations between labor and Pact members through their mercenaries—National and Northwest—could conceivably return us to the labor unrest that prevailed during the 1946-1966 period. Indeed, I have already stated in my oral testimony that the inequities of mutual aid are forcing ALPA and other unions to reevaluate their historical attitudes toward labor disputes in the light of changes wrought by the Pact.

Table 9 is another attempt to misrepresent the facts. As the Chairman pointed out during the course of my testimony, the table strongly implies that the rates depicted therein are based upon actual wage experience. In reality they are no more than the "salary cap"—examples of the outer pay limits possible under different carrier contracts. Stated otherwise, the examples given are no more than "paper salaries" that bear no relation to the income received by the pilot groups depicted. Let us examine the various pay levels set forth in each of the nine bars of the chart.

At the outset, we should identify the carrier contracts considered in each of the bar examples, something that the ATA has neglected to do. Under the B-747 grouping the carrier contracts used to illustrate the "Low", "High" and "High (1976)" examples are American, Delta and Delta. In the B-727 category, the carrier contracts used to illustrate the same three categories are those of America, Delta and Delta. Finally, the three contracts used for the DC-9 Illustration are those of Southern, Allegheny and Delta.⁵

The remuneration of pilots is much lower than the salary caps shown in Table 9. During the calendar year 1973, ALPA pilots as a group averaged \$32,874. Captains, First Officers and Second Officers averaged \$42,884, \$26,925, and \$22,685 respectively.⁶ Delta's top salaries, based upon W-2 information for 1974, averaged less than the \$71,300 high salary figure given in Table 9. Only one Delta pilot (since retired after 32 years of service) achieved the \$70,000 level in 1974. The remainder of the pilot force was paid as follows: 30 pilots were in the \$60,000-\$69,999 salary range; 341 received between \$50,000-\$59,999; 843 between \$40,000-\$49,999; 508 between \$30,000-\$39,999; 913 (the largest number) were in the \$20,000-\$29,999 range; 416 received between \$10,000-\$19,999; and 121 received between \$0-\$9,999.⁷ Even when fringes are added to the total, not a single

⁵ We attach some significance to the fact that three out of the four carrier examples used are non-Pact carriers: Allegheny, Southern and Delta. Since the Pact took effect in 1958 only Southern, of the non-Pact carriers, has been involved in labor disputes (1959 and 1960). Since supplemental payments have been enlarged in 1969, no non-Pact carrier has been involved in a strike.

⁶ Appendix B, p. 1. All salary information has been computed on the basis of W-2 information that does not include fringe benefits. Fringes can be computed roughly at 20-25 percent of the salary total.

⁷ 1974 W-2 data is currently available for Delta only. Pilots at the lower end of the salary scale are either new hires, retirees, or other individuals who did not serve a complete year.

individual on Delta approaches the \$100,000 mark which the ATA has attempted to foist on the Committee as commonplace.

For the convenience of the Committee, we are enclosing three pages from ALPA's 1973 wage and age study. Appendix B, p. 1 (previously cited) shows average annual ALPA earnings by airline type and pilot status. Appendix B, p. 2 breaks salaries down by individual carriers and by pilot status. Finally, Appendix B, p. 3 shows earnings by age and years of service. These are the data that the Committee should study if it is interested in pilot salaries. The ATA salary data are no more than hypothetical examples concocted under improbable assumptions in order to fool the Committee. They should be disregarded.

It is appropriate that our analysis of Table 10 conclude our rebuttal. For Table 10 is by far the nadir of the ATA's presentation. It is an excellent example of how data can be pounded and shaped to attain a spurious result. The table seeks to show that B-747 captains earn top money yet spend more time at home than they do on the job. The data, as we shall see, do not support such a conclusion.

At the outset, the Committee should realize that the ATA has elected to use the B-747 as its example, a piece of equipment that is not widely used by domestic carriers and that has a very low rate of utilization during all but peak traffic periods. Bearing this in mind, let us see how the ATA has structured Table 10.

The period used is February, 1975, unquestionably the worst traffic month for carriers who fly the B-747. Accordingly, the aircraft is scheduled sparingly, leading to a poor utilization of available pilot time.

The table makes no provision for training requirements. Such requirements force a pilot to take refresher courses at periodic intervals on company property. Such training does not qualify as "Monthly Calendar Days Away" yet takes a pilot away from his home. Moreover, training continues even at home. The Internal Revenue Service recognizes the fact that a pilot must spend a certain portion of his time reviewing complex flight manuals (on which he can be tested at any time and without warning) and allows a deduction for office space in the home.

Finally, and most importantly, the ATA has not explained that while a pilot may be physically at home, he is often "on call" during specified days and must be ready to report at a moment's notice. In essence, therefore, he is literally under the control of his employer.

The ATA's presentation before this Committee, in our view, has been far from candid. Indeed we would go so far as to characterize Mr. Ignatius' testimony as "a distortion intended to mislead." We invite the Committee to use the resources of its own staff in order to verify our analyses and conclusions.

We appreciate the opportunity you have afforded us and again urge the passage of S. 306.

APPENDIX A

SELECTED STATISTICAL MEASURES OF COMPENSATION, PRICES, PRODUCTIVITY AND REVENUES, 1967-74
(U.S. EMPLOYEES AND AIRLINE EMPLOYEES)

REBUTTAL TO ATA TABLES 3, 5, AND 6

Year	U.S. Consumer Price Index (1967=100)	Average annual compensation—		Productivity per U.S. employee index ¹		Overall airline indexes (1967=100)			
		Per airline employee	Per U.S. industry employee	Airline	Total nonfarm	Operating revenues ²	Available ton-miles ³		
		Amount	Index (1967=100)	Amount	Index (1967=100)	Index (1967=100)	Index (1967=100)	Index (1967=100)	Index (1967=100)
1967	100.0	\$9,723	100.0	\$6,880	100.0	100.0	100.0	100.0	100.0
1968	104.2	10,503	108.0	7,369	107.1	104.3	102.7	113.7	122.6
1969	109.8	11,539	118.7	7,874	114.4	107.2	102.5	128.6	140.1
1970	116.3	13,049	134.2	8,436	122.6	109.7	103.0	135.4	145.6
1971	121.3	14,291	147.0	9,035	131.3	116.6	106.9	146.6	155.1
1972	125.3	15,792	162.4	9,714	141.2	128.5	110.8	162.8	159.1
1973	133.1	17,055	175.4	10,349	150.4	130.8	113.4	181.7	168.8
1974	143.6	17,772	182.8	(⁴)	(⁴)	(⁴)	110.3	214.9	160.1

¹ Bureau of Labor Statistics.

² Includes trunks, PAA and regional carriers. CAB form 41, 1973 edition CAB Handbook of Airline Statistics.

³ Includes trunks, PAA and regional carriers (all services).

⁴ 12 mo ended Sept. 30, 1974.

⁵ Not available.

AVERAGE ANNUAL ALPA PILOT EARNINGS BY AIRLINE TYPE AND PILOT STATUS, CALENDAR YEAR 1973

Airline type	All pilots	Captains	1st officers	2d officers ¹
ALPA membership.....	\$32,874	\$42,884	\$26,925	\$22,685
Big 3 ²	32,926	44,223	27,203	23,571
Other trunk.....	33,309	44,695	27,925	20,114
International.....	40,593	49,610	33,056	25,237
Local service ³	29,182	35,807	22,156	8,667
Helicopter ⁴	19,114	22,880	14,988	0
Territorial ⁵	25,692	31,871	19,738	19,000
Cargo ⁶	33,430	42,838	27,574	23,872
Supplemental ⁷	27,156	32,680	19,281	6,083

¹ Includes all pilots other than captain and 1st officer.

² Eastern, TWA, and United.

³ Allegheny, Hughes Airwest, Frontier, North Central, Ozark, Piedmont, Southern, and Texas International.

⁴ New York Airways, San Francisco and Oakland.

⁵ Alaska, Aloha, Hawaiian, Reeve Aleutian, TACA, and Wien Air Alaska.

⁶ Airlift, Flying Tiger, and Seaboard World.

⁷ Capitol, Modern, Overseas National, and Saturn.

AVERAGE ALPA PILOT EARNINGS BY PILOT STATUS AND AIRLINE, CALENDAR YEAR 1973

Airline	All pilots	Captains	1st officers	2d officers
ALPA membership.....	\$32,874	\$42,884	\$26,925	\$22,685
Big 3:				
Eastern ²	35,053	45,330	27,766	22,780
Trans World ²	31,701	43,419	26,363	26,202
United.....	32,250	43,682	27,546	22,442
Other trunk:				
Braniff.....	31,738	42,767	27,368	22,141
Continental.....	33,659	45,233	28,877	22,006
Delta.....	33,620	44,068	27,450	22,111
National.....	36,233	44,638	27,798	(³)
Northwest.....	33,757	47,131	28,039	17,573
Western.....	31,794	44,399	28,609	16,773
International: Pan American.....	40,593	49,610	33,056	25,237
Local service:				
Allegheny.....	35,061	42,702	27,233	-----
Frontier.....	26,215	32,107	20,655	10,215
Hughes Airwest.....	28,940	34,663	22,774	-----
North Central.....	27,764	34,636	20,167	-----
Ozark ²	22,238	28,553	16,999	-----
Piedmont.....	28,038	35,074	20,853	-----
Southern.....	26,640	32,636	17,405	-----
Texas International.....	27,401	32,976	19,952	-----
Helicopter:				
New York.....	19,950	24,317	15,583	-----
San Francisco.....	17,321	20,188	13,500	-----

¹ Includes all pilots other than captain and 1st officer.

² 1973 work stoppage.

³ Represented by FEIA.

FREQUENCY DISTRIBUTION—AGE, EARNINGS, AND YEARS OF SERVICE, ALPA MEMBERSHIP, CALENDAR YEAR
1973

Year of birth	Age	Members	Earnings, average	Years of service, average
1913	60	145	¹ \$33,419	30.5
1914	59	191	49,088	30.8
1915	58	260	48,642	29.8
1916	57	334	46,056	29.1
1917	56	414	46,298	28.5
1918	55	595	46,808	28.1
1919	54	621	45,999	27.5
1920	53	794	45,854	26.6
1921	52	914	44,372	25.1
1922	51	707	42,652	23.3
1923	50	715	41,422	21.7
1924	49	731	41,682	21.1
1925	48	632	41,114	20.1
1926	47	425	40,452	19.0
1927	46	465	39,887	18.4
1928	45	655	39,429	17.9
1929	44	694	38,437	16.9
1930	43	829	37,373	15.6
1931	42	814	35,704	14.1
1932	41	1,020	33,664	12.2
1933	40	1,093	32,082	11.0
1934	39	1,231	30,908	10.0
1935	38	1,327	30,126	9.3
1936	37	1,463	29,255	8.8
1937	36	1,526	28,519	8.3
1938	35	1,662	27,412	7.8
1939	34	1,738	25,917	7.3
1940	33	1,695	24,554	6.8
1941	32	1,452	23,962	6.5
1942	31	1,330	22,855	6.0
1943	30	852	23,030	6.2
1944	29	475	22,033	6.2
1945	28	338	21,107	5.9
1946	27	139	20,565	5.4
1947	26	58	17,444	4.6
1948	25	16	13,496	3.4
1949	24	5	12,983	3.6
1950	23	1	9,483	3.0
1952	21	1	8,726	1.0
Total		28,330		
Average	40.59		32,874	13.5

¹ Earnings in 1973 prior to 60th birthdate.

TABLE 1.—STRIKE PERIOD LOSSES OF MUTUAL AID AGREEMENT CARRIERS, 1958-74¹

[Dollar amounts in thousands]

Strike	Length in days	Strike period losses
CA—IAM 1958 ²	37	\$3,616
TW—IAM, 1958	16	5,094
EA—FEIA and IAM, 1958	38 and 32	6,886
AA—ALPA, 1958-59	22	11,398
EA—ALPA, 1960	11	6,500
NW—IAM, 1960-61	47	5,259
AA—FEIA, 1961	7	1,466
EA—FEIA, 1961	7	3,913
PA—FEIA, 1961	7	3,001
TW—FEIA, 1961	7	2,403
EA—FEIA, 1962	82	25,224
PA—ALPA, 1965	11	5,848
EA—IAM, 1966	43	26,079
NW—IAM, 1966	43	17,008
TW—IAM, 1966	43	58,600
UA—IAM, 1966	43	61,131
AA—TWU, 1969 ³	21	35,617
PA—IBT, 1969	4	4,373
NA—ALEA, 1970	117	47,373
NW—BRAC, 1970	160	87,551
TW—TWU, 1970	1	7,336
MO—ALPA, 1970-71	154	16,139
RW—AMFA, 1971-72	118	10,904
NW—ALPA, 1972	95	86,293
EA—TWU, 1973	1	2,064
OZ—AMFA, 1973	73	12,904
TW—TWU, 1973	44	90,547
NA—IAM, 1974	110	⁴ 66,346
BN—ALPA, 1974	2	⁴ 3,493

¹ All strikes of more than 1 day's duration and in which mutual aid of \$150,000 or more has been paid.

² From period 1958-66 strike period losses include lost profits before taxes and take no account of post-strike losses.

³ From the period 1969-1974 the strike period losses include lost profits before taxes and losses during the immediate post strike period.

⁴ Preliminary.

Note: Strike against Texas International which began Dec. 1, 1974, is not included.

Source: Exhibits in CAB mutual aid proceedings and carrier records.

TABLE 2.—MUTUAL AID ADDITIONAL TRAFFIC PAYMENTS AND SUPPLEMENTAL PAYMENTS AND STRIKE PERIOD LOSSES, 1958-1974

[Dollar amounts in thousands]

	Additional traffic	Supplemental	Total mutual aid received	Strike period losses	Mutual aid as a percent of strike period losses
CA, 1958.....	\$2,619		\$2,619	\$3,616	72.4
TW, 1958.....	2,372		2,372	5,094	46.6
EA, 1958.....	1,060		1,060	6,886	15.4
AA, 1958-59.....	3,372		3,372	11,398	29.6
EA, 1960.....	951		951	6,500	14.6
NW, 1960-61.....	3,601		3,601	5,259	68.5
AA, 1961.....	1,059		1,059	1,466	72.2
EA, 1961.....	198		198	3,913	5.1
PA, 1961.....	121		121	3,001	4.0
TW, 1961.....	699		699	2,403	29.1
EA, 1962.....	6,070	\$9,946	16,016	25,224	62.6
PA, 1965.....	2,301	1,149	3,450	5,848	59.0
EA, 1966.....	1,305	6,362	7,667	26,079	29.4
NW, 1966.....	1,258	1,234	2,492	17,008	14.7
UA, 1966.....	17,943		17,943	61,131	29.4
TW, 1966.....	17,962		17,962	58,600	30.7
AA, 1969.....	20,339		20,339	35,617	57.1
PA, 1969.....	1,065	624	1,689	4,373	38.6
NA, 1970.....	14,641	13,344	27,985	47,373	59.1
NW, 1970.....	17,195	30,092	47,287	87,551	54.0
TW, 1970.....	1,647	805	2,452	7,336	33.4
MO, 1970-71.....	414	5,447	5,861	16,139	36.3
RW, 1971-72.....	1,270	7,209	8,479	10,904	77.8
NW, 1972.....	30,049	13,876	43,925	86,293	50.9
EA, 1973.....	183	419	602	2,064	29.2
OZ, 1973.....	1,302	5,280	6,582	12,904	51.0
TW, 1973.....	42,042	32,401	74,443	90,547	82.2
NA, 1974 ¹	16,363	27,083	43,446	66,346	65.5
BN, 1974 ¹	314	306	620	3,493	17.7
Total.....	209,715	155,577	365,292	714,366	51.1

¹ Data for this strike is preliminary.

Note: Supplemental payments were not part of the mutual aid pact until 1962. Strike period losses include lost profits before taxes; from 1969-74, strike losses include losses during the immediate post strike period. Strike against Texas International which began Dec. 1, 1974 is not included.

Source: Exhibits in CAB mutual aid proceedings and carrier records.

TABLE 3.—AVERAGE COMPENSATION PER EMPLOYEE AND NET INCOME SYSTEM OPERATIONS OF THE TRUNKS, PA AND REGIONAL CARRIERS, 1967-74

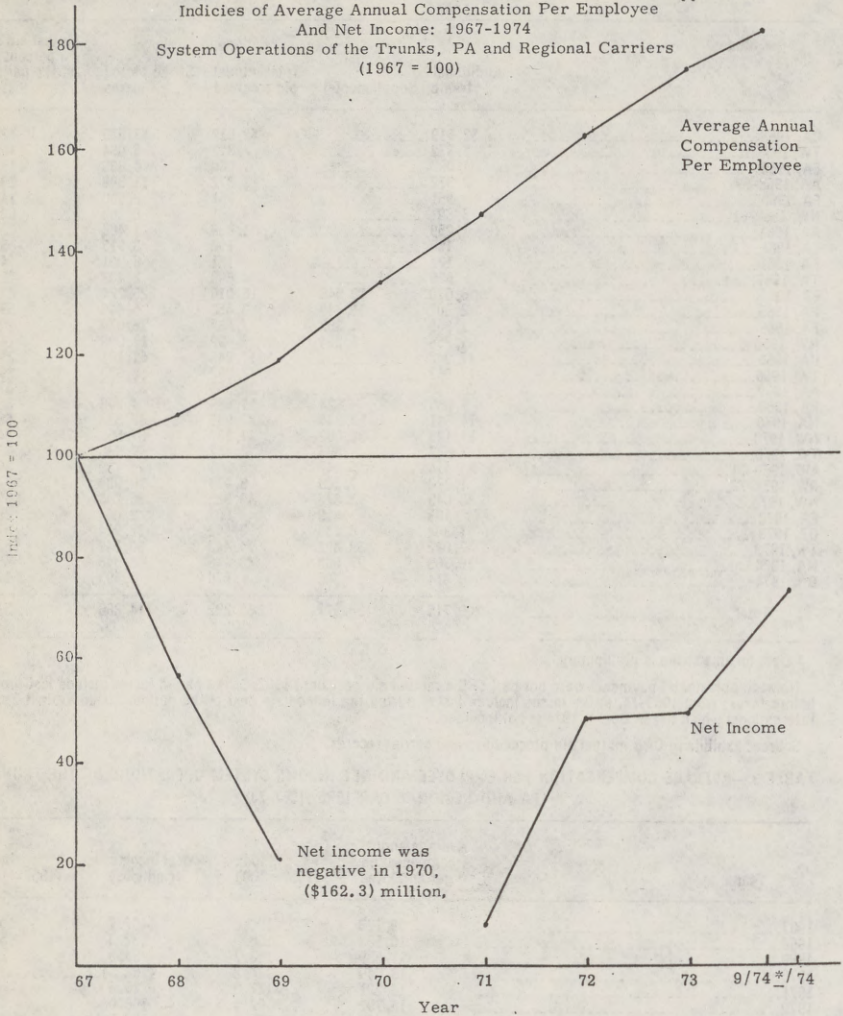
Year	Average annual compensation per employee	Index (1967=100)	Net income (millions)	Index (1967=100)
1967.....	\$9,723	100.0	\$407.1	100.0
1968.....	10,503	108.0	232.3	57.1
1969.....	11,539	118.7	84.3	20.7
1970.....	13,049	134.2	(162.3)	---
1971.....	14,291	147.0	30.5	7.5
1972.....	15,792	162.4	196.0	48.1
1973.....	17,055	175.4	199.5	49.0
1974.....	¹ 17,772	¹ 182.8	² 298.4	² 73.3

¹ 12 mo ended Sept. 30, 1974.² Preliminary.

Source: CAB form 41.

TABLE 3
Appendix A

Indicies of Average Annual Compensation Per Employee
And Net Income: 1967-1974
System Operations of the Trunks, PA and Regional Carriers
(1967 = 100)



* /12 Months Ending September 30, 1974

TABLE 4.—AVERAGE HOURLY WAGES OF MAJOR NONSEASONAL DOMESTIC INDUSTRIES, 1958-73

Industry	1973		1958		Percentage increase 1973-58	
	Rank	Wage ¹	Rank	Wage ¹	Rank	Percent
All Airline Employees.....	1	\$6.93	(1)	\$2.79	(1)	148.4
Airline ground employees (mutual aid carriers) ²	2	6.02	(10)	2.45	(2)	145.7
Class I railroads.....	3	5.40	(11)	2.44	(4)	121.3
Petroleum and coal products.....	4	5.22	(2)	2.73	(13)	91.2
Aircraft.....	5	5.13	(4)	2.51	(5)	104.4
Intercity highway transportation.....	6	5.10	(14)	2.25	(3)	126.7
Transportation equipment.....	7	5.07	(4)	2.51	(7)	102.0
Aircraft engines and parts.....	8	5.05	(4)	2.51	(8)	101.2
Primary metals industry.....	9	5.03	(3)	2.64	(14)	90.5
Mining.....	10	4.70	(9)	2.47	(15)	90.3
Printing and publishing.....	11	4.68	(8)	2.49	(17)	88.0
Machinery, except electric.....	12	4.55	(12)	2.37	(12)	92.0
Chemical and allied products.....	13	4.47	(13)	2.29	(11)	95.2
Ordnance and accessories.....	14	4.28	(4)	2.51	(21)	70.5
Fabricated metal products.....	15	4.24	(14)	2.25	(16)	88.4
Paper and allied products.....	16	4.19	(20)	2.10	(9)	99.5
Stone, clay and glass products.....	17	4.18	(18)	2.12	(10)	97.2
Local and suburban transportation.....	18	4.12	(21)	2.03	(6)	103.0
Instruments and reliable products.....	19	3.88	(17)	2.15	(19)	80.5
Electrical equipment.....	20	3.86	(18)	2.12	(18)	82.1
Rubber and plastic products.....	21	3.80	(16)	2.19	(20)	73.

¹ Excludes fringer benefits.

² Includes all airline employees except general management and flight personnel.

Note: Calendar year 1973 annual data used, since calendar year 1974 data not yet available for all groups.

Source: "Employment and Earnings," U.S. Department of Labor, Bureau of Labor Statistics, and CAB form 41.

TABLE 5.—AVERAGE EMPLOYEE COMPENSATION AIRLINES VERSUS U.S. INDUSTRY

	Airlines	Index (1967=100)	U.S. industry	Index (1967=100)
1967.....	\$9,723	100.0	\$6,880	100.0
1968.....	10,503	108.0	7,369	107.1
1969.....	11,539	118.7	7,874	114.4
1970.....	13,049	134.2	8,436	122.6
1971.....	14,291	147.0	9,035	131.3
1972.....	15,792	162.4	9,714	141.2
1973.....	17,055	175.4	10,349	150.4
1974.....	17,772	182.8	(²)	(²)

¹ 12 mos. ended Sept. 30, 1974.

² Not available.

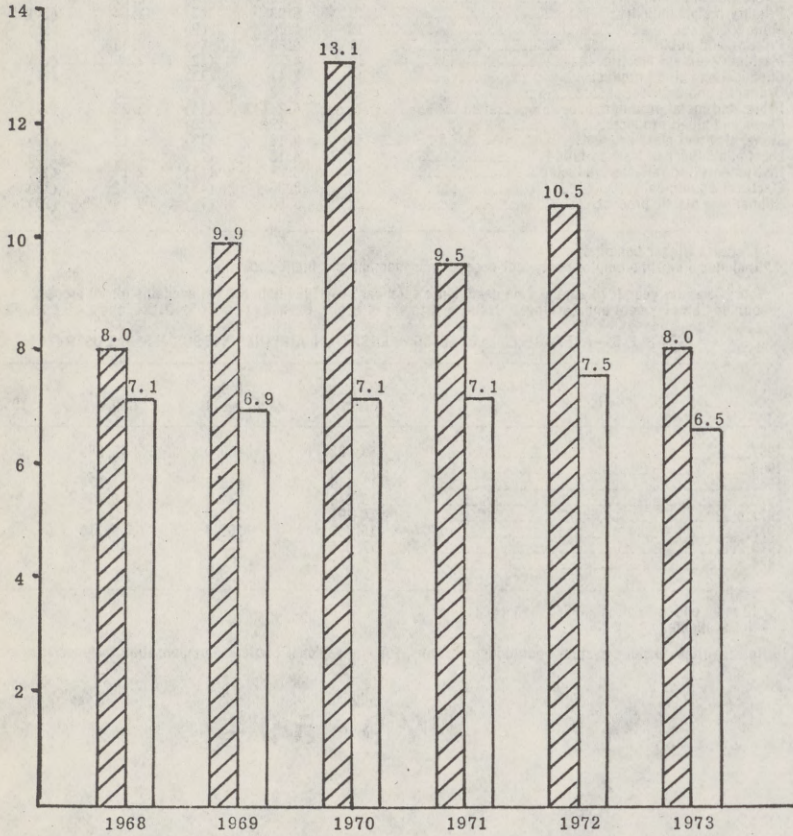
Note: Airlines include system operations of trunks, PA and regional carriers. Compensation includes fringe benefits.

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TABLE 5
Appendix AINCREASE IN AVERAGE EMPLOYEE COMPENSATION
Airlines Versus U.S. Industry

Per Cent Increase Over Previous Year

Per Cent



Airlines



U.S. Industry

TABLE 6.—INCREASE IN AIRLINE AVERAGE EMPLOYEE COMPENSATION VERSUS INCREASE IN U.S. CONSUMER PRICE INDEX AND AIRLINE FARES

[Index 1967=100]

	Airline average employee compensation	U.S. Consumer Price Index	Average revenue per passenger mile
1967.....	100.0	100.0	100.0
1968.....	108.0	104.2	99.3
1969.....	118.7	109.8	101.8
1970.....	134.2	116.3	105.7
1971.....	147.0	121.3	110.2
1972.....	162.4	125.3	110.6
1973.....	175.4	133.1	115.3
1974 ¹	182.8	143.6	127.6

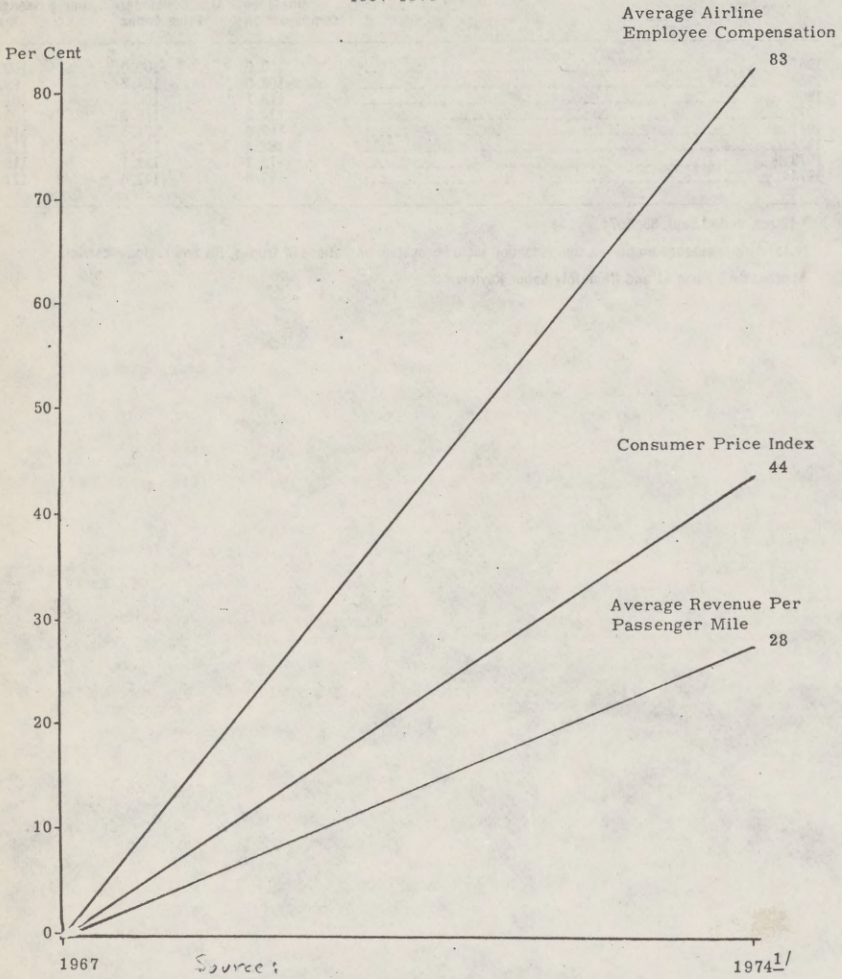
¹ 12 mo. ended Sept. 30, 1974.

Note: Airline average employee compensation includes system operations of trunks, PA and regional carriers.

Source: CAB Form 41 and "Monthly Labor Review."

TABLE 6
Appendix A

Increase In Airline Average Employee Compensation
Versus Increase In Consumer Price Index and Airline Fares
1967-1974



1967

Source:

1974^{1/}

^{1/} 12 Months Ended September 30, 1974

TABLE 7.—EXAMPLES OF SELECTED EMPLOYEE BENEFITS

Carrier	TWA	Ozark
PILOT		
Union.....	Air Line Pilots Association.....	Air Line Pilots Association.
Vacation.....	15 days after 1 yr, increasing to 45 days after 25 yr.	15 days after 1 yr, increasing to 40 days after 25 yr.
Sick leave.....	7 days after 1 yr, increasing to 70 days after 10 yr.	5 hr per month, (maximum 500 hr).
Noncontributory group insurance: ¹		
Daily hospital room.....	100 percent of first \$1,000; 80 percent of excess.	Semiprivate for 100 days.
Surgical maximum.....	By schedule up to \$1,100	By schedule up to \$300.
Major medical.....	After deductible, 80 percent of first \$7,500; 100 percent up to \$50,000.	After deductible, 80 percent up to \$50,000.
Dental.....	No deductible, by schedule up to maximum \$600 per year.	\$50 deductible, 80 percent up to maximum \$1,000 per year.
Life.....	To \$70,000 based on salary	To \$40,000 based on salary.
Noncontributory pension: current benefit level (excluding social security). ²	\$23,600	\$18,000.
MECHANIC		
Union.....	International Association of Machinists.	Aircraft Mechanics Fraternal Association.
Meal period.....	Paid on night shift.	Paid on all shifts.
Holidays.....	10 days	10 days.
Vacation.....	10 days after 1 yr, increasing to 30 days after 25 yr.	10 days after 1 yr, increasing to 30 days after 25 yr.
Sick leave.....	1 day per month (maximum 110 days)	1 day per month (maximum 140 days).
Noncontributory group insurance: ³		
Daily hospital room.....	100 percent of 1st \$5,000; 80 percent of excess.	100 percent of 1st \$5,000; 80 percent of excess.
Surgical maximum.....	By schedule up to \$1,500	After deductible, 80 percent.
Major medical.....	After deductible, 80 percent of 1st \$7,500; 100 percent up to \$50,000.	After deductible, 80 percent up to \$150,000.
Dental.....	No deductible, by schedule up to maximum \$1,000 per year.	\$50 deductible, 80 percent up to maximum \$1,000 per year.
Life.....	To \$22,000, based on salary.	To \$30,000, based on salary.
Noncontributory pension: Current benefit level. ⁴	\$5,500	\$5,000.

¹ Includes dependents for everything except life insurance.

² Estimated based on normal retirement at age 60 with 30-yr service. It is estimated that under a typical airline pension plan a pilot now 35 years old, retiring at age 60, could receive a pension of about \$50,000 from the noncontributory plans based on reasonable assumptions with respect to future earnings and investment growth.

³ Includes dependents for everything except life insurance.

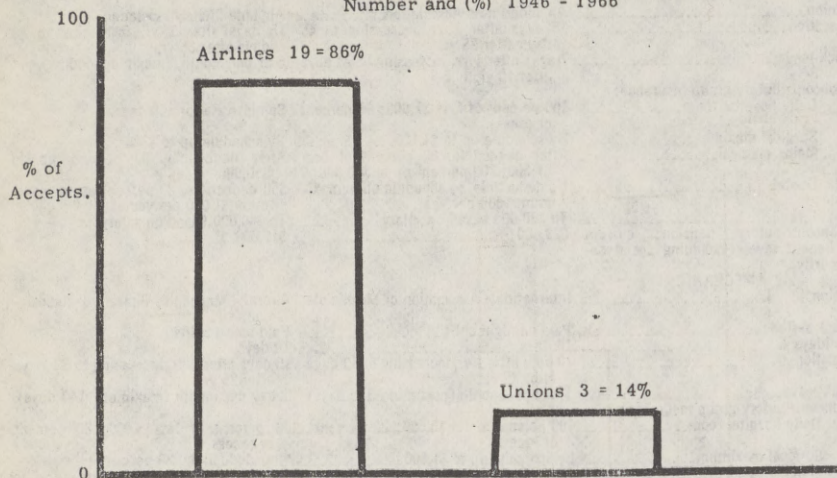
⁴ Estimate based on normal retirement with 30-yr service.

Note: The above pension is supplemented by the social security family benefit estimated at \$5,400 annually. In addition to the above, there are a number of other benefits, including for example disability insurance, severance pay plans, and reduced rate travel.

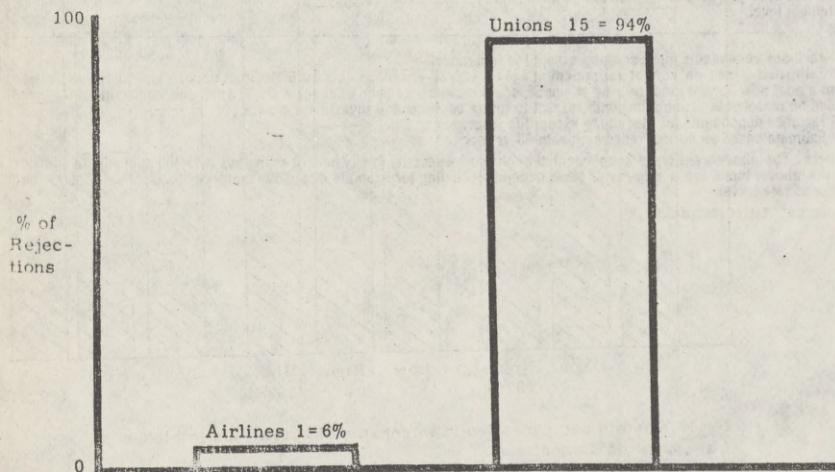
Source: Carrier records.

TABLE 8

Acceptances of Presidential Emergency Board Recommendations
Number and (%) 1946 - 1966



Rejections of Presidential Emergency Board Recommendations
Number and (%) 1946 - 1966



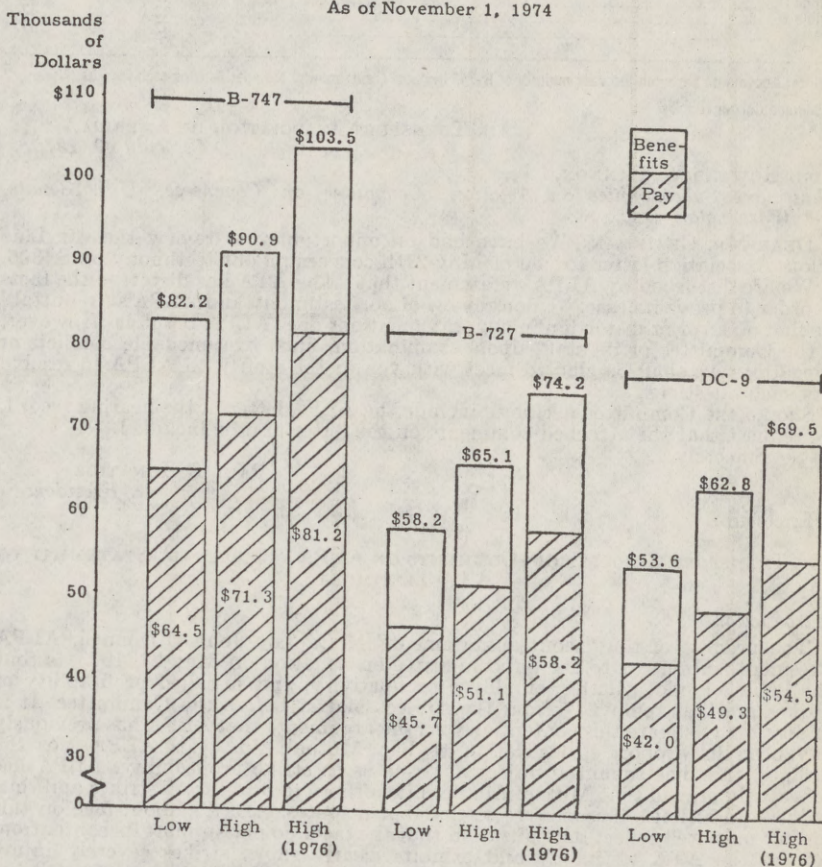
Source: Exhibits in CAB Mutual Aid Proceedings

TABLE 9

ANNUAL CAPTAIN COMPENSATION
DOMESTIC OPERATIONS

Low and High Rates Currently Effective and
Highest Rate in Current Agreements

As of November 1, 1974



Note: Captain compensation in international operations is higher than in domestic.

Source: Carrier records

B-747 CAPTAINS—MONTHLY CALENDAR DAYS AWAY FROM BASE AND DAYS AT HOME FREE OF DUTY (JAN. 31, 1975 THROUGH MAR. 1, 1975)

	Monthly calendar days away	Monthly calendar days at home free of duty
Airline A.....	12.1	17.9
Airline B.....	12.9	17.1
Airline C.....	11.5	18.5
Airline D.....	13.6	16.4
Airline E.....	13.0	17.0
Average.....	12.6	17.4

Note: Above data based on the vast majority of B-747 captains (captains who bid specific trips each month).

Source: Carrier records.

AIR TRANSPORT ASSOCIATION OF AMERICA,
Washington, D.C., July 29, 1975.

HON. HOWARD W. CANNON,
Chairman, Subcommittee on Aviation, Committee on Commerce, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: We have had an opportunity to review the Air Line Pilots Association letter to you of May 27th concerning our testimony on S. 306.

We are disturbed by ALPA's statement that "The ATA has distorted the facts in order to prove its case." Upon review of our testimony and ALPA's "rebuttal" we find no error or distortion in our statement nor does ALPA rebut it. However, if the Committee or its staff, upon examination, finds irreconcilable conflicts or allegations we shall be glad to meet with you or the staff with ALPA to resolve any such questions.

Should the Committee decide to include the ALPA letter in the hearing record, we request that the attached comments on the letter also be included.

Sincerely,

PAUL R. IGNATIUS,
President.

Enclosure.

AIR TRANSPORT ASSOCIATION COMMENTS ON ALPA "REBUTTAL" STATEMENT TO
ATA TESTIMONY

Introduction

The premise of the "rebuttal statement" of Captain John O'Donnell, ALPA President, submitted to the Subcommittee on Aviation on May 27, 1975, is that the issues of pilot salaries, employee productivity, and so-called profitability of strikes are "far removed" from the subject matter before the Committee. It is impossible to square this contention with the arguments that ALPA has previously advanced in support of legislation to ban Mutual Aid. It is ALPA, not the airlines, that has sought to inject an issue as to strike profitability. ALPA has repeatedly argued that Mutual Aid permits airlines to profit from strikes and thus reduces an airline's incentive to settle labor disputes. ALPA's about-face on this matter may well reflect its realization that the facts do not support its contention. For as the ATA testimony and exhibits clearly show, strikes severely injure airlines even where Mutual Aid is paid. No airline would willingly accept a strike wherever there is a reasonable alternative available.

Likewise, the suggestion that pilot compensation should not be considered is entirely inconsistent with the ALPA contention that Mutual Aid has impaired the bargaining ability of unions and induced airlines to avoid true collective bargaining. There is no more effective response to this contention than the results of bargaining which show that pilots as well as other airline employees have continued to win substantial gains at the bargaining table.

In short, so long as the unions continue to oppose Mutual Aid on the ground that it eliminates airline incentive to avoid strikes and induces airlines not to engage in genuine collective bargaining, the data offered by ATA which ALPA now seeks to challenge are highly material to the Committee's inquiry.

ALPA's "rebuttal statement" alleges that the testimony of Paul Ignatius and the exhibit material attached to it amounted to a "distortion intended to mislead" the Committee. Though the charge is strongly worded, the support offered is wholly insubstantial. Close analysis of the ALPA "rebuttal statement"

confirms not only the accuracy but the pertinence and the fairness of the material submitted to the Committee by Mr. Ignatius. The following comments are offered in response to the particular allegations of the ALPA "rebuttal statement."

Tables 1 and 2

ALPA objection: Net profits lost by reason of a strike should not be used to demonstrate that the carriers have lost money during the strike. Instead data should be used that compares Mutual Aid payments to reduced carrier operating costs during the strike period.

ATA comment: ALPA has continually charged in the past that Mutual Aid has made it profitable for a carrier to strike. ATA has said no airline has ever made more money during a strike than it would have made by operating during the same period. As supporting evidence for our statement, this table shows what the loss from the strike to the carrier, after the receipt of Mutual Aid, was. It compares the forecast profit/loss of the carrier if there had been no strike to the actual profit/loss of the carrier with the strike. Even ALPA points out the Civil Aeronautics Board has defined "loss" to include a carrier's forecast of net profits.¹ This is the only logical way to compare the economic impact of a strike on a carrier. Comparing Mutual Aid revenues to the actual operating expenses of a carrier during the strike, as ALPA suggests, would not measure the true economic impact of the strike on the carrier.

The strike period losses shown by ATA in the two tables are extremely conservative figures since during the period 1950-1966 they do not account for any post-strike period losses and during the period 1969-1974 they take into account only immediate post strike period losses. Long term post strike period losses can be substantial.

ALPA's comments on Tables 1 and 2 to the ATA testimony reveal the real position that ALPA seeks to have this Committee accept—namely, that "any inter-carrier remuneration, no matter how slight, compromises the effectiveness of a strike and damages the rights of labor." In other words, according to ALPA any action by an employer which serves to resist or defend in the slightest way against the full rigors of a strike, no matter how unreasonable, is ipso facto contrary to the public interest and should be banned by legislation. We do not think that the Congress of the United States would accept such a narrow one-sided view of the proper balance between unions and employers, yet this is the foundation upon which the case for banning Mutual Aid rests.

Table 3

ALPA objection: Comparing compensation per employee to net income may be meaningful in manufacturing industries where goods are stockpiled but not in air transportation which is a service industry where stockpiling is impossible.

"During the 1967-1974 period, total airline revenues increased at a much higher rate than employee salary costs." Employee salaries should not have been a significant factor in depressing profits below the 1967 base. Other things such as the purchase of equipment in excess of high traffic growth, high interest rates and rising fuel prices have created the problem.

ATA comment: This table compares increased labor cost per employee with changes in net income. ALPA's suggested comparison of the increase in cost per employee versus total revenue increase is defective since the number of employees does not remain constant.

In any industry where labor costs are a significant portion of total costs comparisons between labor costs and net income are appropriate. There is no doubt that increased labor costs have adversely affected airline financial performance. Total airline labor costs account for about 40 per cent of total airline costs. During the 1967-1974 period total labor costs increased about 119 per cent compared to 118 per cent for revenues. The reason the rise in labor cost is only slightly higher than the rise in revenues is because of several fare increases in 1974 essentially the result of sharply rising fuel costs. This situation masks the impact of labor costs during the 1967-1974 period. In 1967-1973 period, labor costs rose 103 per cent and total operating expenses, including labor, rose 96 per cent while revenues increased only 84 per cent. Clearly, labor costs have risen faster than total costs and faster than total revenues in the 1967-1973 period. The adverse impact on net income is obvious.

¹ ALPA's assertion that a CAB Administrative Law Judge defined "loss" to include only out-of-pocket expenses is simply incorrect. The decision of the Administrative Law Judge issued on March 27, 1972, has been reviewed and no statement has been found which would support in any way the assertion made by ALPA.

For the Committee's information we are providing a copy of an ATA study presented to the CAB in May, 1974, regarding airline productivity and inflation during the 1967-1973 period. This study covers in detail the issues of productivity and airline costs.

The study shows that of all airline costs labor is by far the largest cost element, and that in the 1967-1973 period labor cost per employee rose significantly more than the increase in the average unit cost for all cost elements, including labor. For all the cost elements, the additional expense was \$3.6 billion of which \$2.1 billion was due to increases in labor cost per employee. Productivity gains and fare and rate increases together failed to offset airline cost inflation. Therefore, net income in 1973 was less than in 1967.

Fuel costs in 1974 certainly impacted more heavily on the industry than did rising labor costs. ATA also recognizes the adverse impact of soft traffic performance and high interest rates. However, with the exception of 1974 sharply rising labor costs have had a more significant adverse impact on the financial position of the industry over the years than other cost elements. When the largest cost component of average unit costs increases at a faster rate than overall unit costs, there is no doubt this has a significant impact on net income.

In regard to equipment/traffic imbalance, it is very difficult to keep capacity in balance with traffic. In many cases, aircraft must be ordered several years in advance of delivery and may be out of balance with traffic when the aircraft are put into service. Airlines over the years have had better capacity utilization than other regulated common carriers as the following table shows:

PASSENGER LOAD FACTORS

[In percent]

	Air	Bus	Rail
1965.....	54.7	48.2	34.1
1970.....	48.9	46.0	36.7
1971.....	48.1	46.2	42.3
1972.....	52.1	45.7	39.2
1973.....	51.6	47.7	35.9
1974.....	55.5	¹ NA	NA

¹ Not available.

Source: Transportation Association of America and CAB form 41.

Tables 4 and 5

ALPA objection: Airline wages and the rate of increases in these wages cannot be compared with those of other industries because the nature of air transportation has dictated higher employment standards and a higher than average employee selection. Airline employees are particularly skilled and thus should be expected to have higher earnings.

If airline wages are, however, compared with other industries, it is extremely misleading not to include productivity indices. Data from the Bureau of Labor Statistics show in the 1967 to 1973 period "airline employee productivity increased by 31 percent while industrial production rose 13 percent." Also, available ton miles per employee rose 69 percent and operating revenues 82 percent based on CAB Form 41 data. This compares with a 75 percent increase in average annual compensation per airline employee.

ATA comment: It should be noted first that there are discrepancies between what ALPA says in its comments about its Appendix A versus what the Appendix really shows. The increase in "industrial production" of 13 percent since 1967 is actually the percent change in output per employee in the private non-farm economy. The increase of 69 percent in available ton-miles per employee mentioned in the comments is actually the increase in absolute available ton-miles. The actual increase in ATM's per employee in the 1967-1973 period is about 47 percent.

We feel Table 4 and Table 5 which show airlines are at the top of major U.S. industries in terms of compensation and rate of increases demonstrate very well that airline employees have not been adversely affected by Mutual Aid. There is certainly nothing inaccurate or misleading in comparing compensation per employee and the rates of increase in compensation per employee with those in other industries or with the average for all industries. Such comparisons are made all the time by statisticians and economists to determine relative compensation in one industry versus others.

Although ALPA may argue that the special skills in the air transport field are such to require higher salaries and a higher rate of increase than in any other industry, the fact remains that there are no factual data which support such a claim to our knowledge. In general, employees of each particular industry tend to feel their skills are such that they should be compensated to a greater extent than those in other industries.

The reference to "highly technical and service-oriented" are contradictory standards for employees. Service-oriented employees could refer to cleaners baggage and cargo handlers, flight attendants and agents. Technical employees requiring government certificates cover pilots, flight engineers, dispatchers and some mechanics, less than 15 percent of airline employees. The skills of the bulk of the airline employees are not "highly technical" but of a nature similar to general industry. Moreover, even if you exclude pilots, the most highly skilled, the results show that airline ground employees enjoy wage level and wage increases greater than any other industry as shown in Table 4.

Although ALPA indicates coal miners, factory workers and other employees have minimum skills and education and cannot be compared to such airline employees as jet engine mechanics, dispatchers, pilots and flight attendants, we disagree. The industries listed in Table 4 cover railroads, transportation equipment, aircraft engine and parts, printing, etc. all of which contain skilled, semi-skilled and unskilled workers in jobs which are often comparable. A mechanic is a mechanic whether specializing in aircraft, engine, bus, car or truck.

ALPA, of course, feels employees should receive all the credit for the productivity resulting from new aircraft and other equipment. Practically all productivity improvement in the airline industry is the result of investment in new aircraft and not the result of employee effort. Such measures as output in terms of available ton-miles, revenue ton-miles, revenues, etc. per employee, or some other unit of employee input, are inadequate because total inputs are not considered. It is misleading to equate total outputs to employees, as the ATA study presented to the CAB in May 1974 demonstrates.

Even accepting the productivity per airline employee figure (BLS) cited by ALPA for the 1967-1973 period, the combined increase in productivity plus inflation (as represented by the increase in the Consumer Price Index) has been substantially less than the increase in airline employee compensation.

While operating revenues increased more than 80 percent during 1967-1973, labor costs jumped over 100 percent.

Table 6

ALPA objection: It is misleading to compare average employee compensation with the U.S. Consumer Price Index and with average revenue per passenger mile for the 1967-1974 period. "Employees are being blamed for actions which they neither initiated nor controlled."

ATA comment: This table is shown to again demonstrate how well airline employees have been compensated relative to national inflation and to airline fare increases. If the airlines had not invested in new more productive equipment, such increased compensation would not have been possible. Also, if employee compensation had not increased as much as it did, airline fares would be lower today.

Table 7

ALPA objection: ALPA is proud of achieving such a high level of benefits for employees. However, in regard to life insurance and pension benefits, it should be noted that pilots must retire at age 60 and are never secure in their job because of rigorous physical requirements.

ATA comment: ALPA verifies the accuracy of this table. Pilot pension benefits upon retirement are superior to many pension programs and compensate for "lost" years. With the exceptionally good pension plans for pilots they are able to retire and live well for the rest of their lives (based on Trans World and Ozark data) beginning at age 60 on \$18,000 to \$24,000 per year exclusive of social security. In view of the fact that this is about twice the salary of the average employed U.S. worker, early retirement at such levels is a benefit most U.S. workers would be delighted to have.

Pilots have made the points before various panels that they are healthier and subject to less work related risk than the normal population. This enables them to obtain lower group insurance rates.

Pilots are offered as much or more security than other employees through protection in employee benefit plans unavailable to others. Pilots have disability

insurance and pension which gives benefits based on wide open interpretation of "disability." A pilot with a heart condition or who must take certain kinds of medication would qualify as disabled, while another employee who could perform other work with such physical problems would not be considered disabled.

Pilots have loss of license insurance available to them paid for by the airline. In addition, they are able to take out additional insurance at their own expense which together could provide for their current salary to normal retirement age if they lose their license because of physical reasons.

Table 8

ALPA objection: Since there have been no Presidential Emergency Boards convened since 1966 the relevance of this table is questionable.

ATA comment: ALPA concedes the accuracy of this table. The relevance of this table is to show that third party recommendations to resolve disputes are rejected by unions who use strikes to enforce greater demands on carriers. Therefore, a need exists for other protection to such abuse.

There is no reason to believe that unions have been less aggressive in collective bargaining since 1966. Therefore, while the table is undoubtedly dated, the message it contains—that unions generally spurn settlements recommended by neutral third parties while airlines generally accept them—is still pertinent and supports the conclusion that the existence of Mutual Aid has not seriously weakened union bargaining power.

Table 9

ALPA objection: This table implies the wage rates for captains are based on actual wage experience but the figures are no more than the "salary cap." The example "bears no relation to the income received by the pilot groups depicted." Only one Delta pilot achieved a \$70,000 level of salary in 1974. "Even when fringes are added to the total, not a single individual at Delta approaches the \$100,000 mark which the ATA has attempted to foist on the Committee as commonplace." The average salary of all pilots in 1973 was \$32,874.

ATA comment: ALPA does not question the accuracy of any of the figures in this table but merely puts forth some data for 1973 and 1974 in an effort to undermine the showing in the table which is based essentially on 1975 and 1976 data.

The table specifically states the rates are developed from labor contracts as of November 1, 1974. It should be noted that since November, 1974, more agreements have been signed with other carriers at even higher levels.

The maximum and minimum levels shown in the table, therefore, currently cover more than just one carrier. For example, since November 1, 1974, contracts have been signed which met or exceeded the Delta levels, by the following carriers:

Eastern and United.....	B-747
Eastern and United.....	B-727-200
Eastern and North Central.....	DC-9

The table does not purport to be an historical average of captains' salaries as ALPA implies. The current (1975) average compensation level of all airline pilots, including captains, first officers, and second officers/flight engineers is about \$45,000 as was set forth on page 17 of the ATA testimony.

The table does not state that a pilot has received a salary of \$100,000 as ALPA implies. It shows a pilot compensation, including salary and benefits, in excess of \$100,000 next year, 1976.

The table shows annual compensation and salary at maximum monthly hours, the hourly rate being based on a ½ day rate and ½ night rate. This is the level pilots can reach and do reach. The need to achieve as much utilization from each employee as possible causes carriers to schedule as close to the maximum as possible.

ALPA indicates the maximum figures shown in the table are a "salary cap". Actually the maximum figures shown are conservative and at times can be exceeded. This is supported by the ALPA data covering the Delta pilot who reached \$70,000 in 1974, which was nearly \$2,000 more than the \$68,184 "salary cap" for a Delta 747 captain in 1974. (The "salary cap" is based on rates covering ½ day and ½ night. If more night hours than day hours are flown the pay exceeds it.)

ATA has no problem with the average 1973/ALPA pilot salary figures based on W-2 forms supplied by ALPA. The figures are actually higher than ATA data covering average salary per pilot, based on CAB Form 41, of the trunks, PA and regional carriers.

AVERAGE AIRLINE PILOTS SALARY AND COMPENSATION—TRUNKS, PA AND REGIONALS

	Salary	Compensation
1973.....	\$31,000	\$38,600
1974.....	33,500	41,800

¹ This compares with ALPA average salary of \$32,874 based on W-2 forms.

Note: It is estimated that average 1975 compensation will exceed \$45,000 and salary will exceed \$36,000.

Table 10

ALPA objection: The table uses a pilot on a B-747, a plane with poor utilization, for the worst traffic month of the year to determine days away from home. It does not take into account provision for training requirements and the fact that while at home a pilot is often on call.

ATA comment: This table was based on data for the latest current month available at the time the testimony was developed, which was February, 1975. February, in terms of pilots days off, is not an unusual month. Also, there are certainly a sufficient number of 747 captains to justify the use of this type of equipment. However, in order to show the time away from home for the most common type of equipment, the 727 aircraft, for the most recent month available (July, 1975—a peak traffic month) the following data covering four major 727 operators are supplied:

B-727 CAPTAIN—MONTHLY CALENDAR DAYS AWAY FROM BASE AND DAYS AT HOME FREE OF DUTY (JULY 1975)

	Monthly calendar days away	Monthly calendar days at home free of duty
Airline A.....	14.0	16.0
Airline B.....	13.1	16.9
Airline C.....	13.9	16.1
Airline D.....	14.4	15.6
Average.....	13.8	16.2

Note: Above based on 30-day month B-727 captains who bid specific trips.

Source: Carrier records.

Only pilots on reserve status are on call. Such pilots are guaranteed more than 80% of their monthly pay hours even if they are not called or fly less than those hours. Most professional workers and Congressmen are also "on call" at any hour and may be expected to report at a moments notice. Many get no extra compensation for this.

Conclusion

We feel the charges made by ALPA that ATA's testimony has attempted to mislead the Committee are completely unjustified and are not substantiated with facts. The above ATA comments are designed to clarify any misunderstanding that might be created by the use of strong, and in some cases abrasive, charges by ALPA in attempting to rebut ATA's testimony. The additional material supplied should provide further background information relative to such areas as airline costs and productivity. The data presented by ATA are to the best of our knowledge accurate, factual and designed to assist the Committee in regard to its deliberations on Mutual Aid.



