

US Airways Seeks \$1.9 Billion In Savings From Pilots Union *Airliner's New Proposal Exceeds Its Earlier Request Of \$1.5 Billion From Group*

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US Airways Group Inc., trying to quickly reduce its labor costs so it can retain access to cash that is keeping it aloft in bankruptcy-court protection, made a new proposal seeking nearly \$1.9 billion in savings from its pilots through 2009, well above the company's earlier request of \$1.5 billion from that group.

The nation's seventh-largest carrier, which filed for protection from its creditors last week for the second time in two years, asked the pilots union in its latest proposal for pay reductions of 19.5%. US Airways also sought cuts in contributions to the pilots retirement plan, increased monthly flight hours and a host of changes to boost productivity.

The Arlington, Va., company declined to discuss the proposal. A spokesman for the Air Line Pilots Association said the union was looking at the offer, knowing that "things are likely to get uglier and more expensive as time marches on."

US Airways blamed its second Chapter 11 filing on its failure to persuade its unions to agree to \$800 million in annual concessions, including \$295 million a year from the 3,400 pilots. The new proposal to the pilots envisions annual savings of \$316 million to \$436 million a year. Despite labor concessions of more than \$1 billion a year agreed in US Airways first trip through bankruptcy court, the company insists it must lower its labor expenses further to transform itself into a discount airline and return to profitability.

If the pilots and other labor groups don't voluntarily agree to cost savings in the coming days or weeks, US Airways could ask U.S. Bankruptcy Court Judge Stephen Mitchell for permission to impose new terms on the workers.

In a rare bit of good news, US Airways said it reached a tentative agreement on a new contract with the Transport Workers Union local that represents 150 dispatchers. Terms weren't disclosed pending a ratification vote, and the pact requires approval of the bankruptcy court. US Airways had sought \$4 million in annual savings from the group.

US Airways hasn't reached deals with any other unions, and since its court filing hasn't made new offers to the others. But the company intends to meet with them soon, and it is expected that US Airways will ask them for more due to its deteriorating finances. "As we've been telling the unions all along," said a company spokesman, "it would have made a lot more sense and been less of a

sacrifice if we were able to reach consensual agreements outside of the court."

Over the months that the company pressed its unions for givebacks, only the negotiations with ALPA got very far. But those talks hit a roadblock over the Labor Day weekend when a faction of militants on the union's ruling council blocked the majority's desire to put a company proposal out for a membership vote. The militants also directed the union's negotiators to stick to the framework of an earlier union proposal that US Airways had already rejected.

ALPA's leadership council met yesterday in Charlotte, N.C., to discuss negotiating strategy. The meeting was scheduled to continue today and the union spokesman said it was possible that changes to the negotiators' mandate could come to a vote today. Capt. Bill Pollock, chairman of the council, told pilots last week in a Webcast message that the group is unlikely to reach consensual agreement with the company unless those negotiating restrictions are lifted. "This is a critical and uncertain time for all pilots," the union leader said. US Airways pilots, who are very senior and thus receive top-of-scale rates, earn between \$150 and \$200 an hour as captains and \$100 to \$135 an hour as first officers, depending on the type of planes they fly and whether they are assigned to international or domestic routes.

US Airways hasn't said if it will seek the court's approval to temporarily set aside the labor contracts and impose its terms. The company's next trip to Judge Mitchell's court, in Alexandria, Va., is scheduled for Oct. 7. At that time, he is expected to hear US Airways' motion to essentially forgo paying pension obligations that accrued before its latest bankruptcy filing.

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