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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

In re)	Chapter 11 Cases
)	
US AIRWAYS GROUP, INC. <u>et al.</u> ,)	Case No. 04-13819 (SSM)
)	
Debtors.)	Hon. Stephen S. Mitchell
)	
)	Jointly Administered

**OBJECTION OF THE ASSOCIATION OF FLIGHT
ATTENDANTS-CWA, AFL-CIO TO THE DEBTORS'
MOTION FOR AN ORDER APPROVING AND
AUTHORIZING A TRANSACTION RETENTION PROGRAM**

The Association of Flight Attendants-CWA ("AFA") objects to the Debtors' Motion For An Order Approving And Authorizing A Transaction Retention Program ("the Motion"). Having obtained judicial approval for its efforts to slash unionized employees' wages and benefits, eliminate retiree health benefits, and to terminate its pension plans under the guise that salaried and management personnel would "share the pain" with the unionized

workers,¹ it is preposterous and inequitable for the Debtors' to now seek approval for this unjustified management windfall. The Motion should be denied.

FACTUAL BACKGROUND

1. The AFA is the certified collective bargaining representative of over 8,000 active and furloughed US Airways' flight attendants. The AFA also represents the flight attendants of Debtor Piedmont Airlines, Debtor PSA Airlines, and MidAtlantic Airways (a division of US Airways).

2. Prior to US Airways' first bankruptcy filing, the AFA in July 2002 negotiated a significant concessionary agreement which resulted in over 8% wage cuts and other substantial concessions, including increased health care costs to employees. That agreement saved the company \$76 million per year, approximately 16% of total flight attendant expenses in 2002.

3. In December 2002, during the pendency of the earlier bankruptcy petition, US Airways sought additional concessions from flight attendants and other labor groups. AFA again stepped up to the challenge and reached an agreement which saved the company an additional \$20 million per year, another approximately 5% of total flight attendant expenses.

4. In April 2004, after the company's earlier Plan of Reorganization was confirmed, former CEO Dave Siegel left the company with a \$4.5 million severance payment. One month later, in

¹ Debtors' Application To Reject Certain Collective Bargaining Agreements, at 46.

May 2004, US Airways presented AFA with a third proposed concessionary agreement as part of its latest "Transformation Plan." US Airways sought approximately \$116 million in additional annual savings from flight attendants alone, including the termination of the AFA's pension plan.

5. While negotiations over the Transformation Plan were underway, US Airways in September 2004 delivered to AFA a totally new proposal for six-month "interim" amendments to the mainline collective bargaining agreement, which sought an across-the-board 23% pay cut. When AFA did not immediately agree to this draconian change, US Airways sought emergency relief under § 1113(e) of the Bankruptcy Code.

6. Evidence at the 1113(e) hearing established that while the Debtors' were seeking 23% pay cuts from unionized flight attendants, thousands of salaried and management personnel were being treated in a markedly different fashion. A significant proportion of these employees were subjected to only a 5% pay reduction, on the heels of a nearly commensurate pre-bankruptcy pay increase. The evidence also established that, while demanding a 23% pay cut from flight attendants, US Airways' CEO had taken no reduction in pay and did not intend to take any such reduction. Indeed, to this date, Mr. Lakefield has not taken a reduction in his salary.

7. This Court, on October 15, 2004, issued an order authorizing US Airways to reduce flight attendant and certain other

