

**Oral Testimony of  
Capt. John Prater, President of the Air Line Pilots Association, International  
Before the U.S. House of Representatives Commercial and Administrative Law  
Subcommittee of the Committee on the Judiciary**

**May 25, 2010**

Good morning, Chairman Conyers, Chairman Cohen, Ranking Member Franks, and Members of the Subcommittee. I am pleased to represent the nearly 53,000 pilots of the Air Line Pilots Association, International.

Since our founding in 1931, ALPA members have delivered safely to their destinations millions of passengers and millions of tons of cargo. ALPA pilots have helped our companies thrive in good economic times. We have also repeatedly sacrificed to help save our airlines in bad times, and we deserve to be treated fairly in the bankruptcy process.

Despite the original intent of Congress, Section 1113 of the U.S. Bankruptcy Code today fails to protect workers or serve as the mechanism of last resort to save a failing business. Instead, it has been exploited as a business model of first resort for companies to gain long-term economic concessions by gutting the wages and working conditions of airline and other employees.

The 1113 process allows employers to unilaterally impose contract changes through the court and outside of the normal collective bargaining process. Recent court decisions have significantly loosened the standards that employers must meet before forcing unnecessary economic concessions from workers, and have greatly limited employee recourse if this does happen.

As a result, employers are now able to breach their employees' contracts with impunity. Workers have lost critical leverage in the process, removing any incentive for management to bargain in good faith during bankruptcy, yielding grossly unfair results.

Between 2000 and 2010, more than two dozen U.S. airlines declared bankruptcy, with workers at nearly all of them taking severe wage cuts.

Attached to my written testimony is a series of slides that illustrate the carnage that the bankruptcy process has brought to our industry and to pilots in particular. This data shows the nearly 30 billion dollars in wage concessions that pilots have given up, and the nearly 50 percent overall decrease in pilot wages that has occurred at carriers that filed under Chapter 11. The data also shows that 135,000 good American jobs have been lost from our industry.

Let me provide just one example. After 9/11, a typical pilot at United Airlines endured two rounds of concessions that included a 30 percent pay cut, a second pay cut of 12 percent, harsher work rules, less job security, and a terminated pension plan. Thousands of United pilots were laid off. In 2009, the pilots who remained recaptured only 1.5 percent of their lost wages.

In the face of this, the airline's CEO received a total compensation package worth more than 40 million dollars. Now, United is adding insult to injury by attempting to outsource significant transatlantic flying based upon the job-security concessions forced on the United pilots during bankruptcy.

This gross abuse is just one of many examples that I have detailed in my written testimony. This miscarriage of justice is bad for the pilots at these individual airlines, and it is also bad for the U.S. airline industry and the U.S. economy.

After 9/11, many airline managements not only used the 1113 process to eviscerate employee contracts, they also misused it to cut staff to the bone, with deteriorating customer service as just one of the outcomes.

ALPA supports this legislation because it clarifies that bankruptcy courts must only permit concessions that are truly necessary, rather than those that are simply desired by a management. It also directs courts to weigh in their deliberations the ramifications that a reorganization plan will have for workers, and ensure that employee sacrifices are fair and proportional to those of other stakeholders, including corporate executives.

In summary, this legislation will restore balance to the bankruptcy process and, with it, an incentive for management to bargain in good faith. It reestablishes collective bargaining as the primary means to make changes to a labor contract. It clarifies that a union may seek damages from the employer, or strike, if there are forced changes to a collectively bargained agreement. These critical reforms will promote bargaining, help restore battered employee morale and trust, and make labor a more effective partner in rebuilding the long-term financial health of airlines.

This bill will also make certain that working families are not forced to deeply sacrifice while CEOs reward themselves with lavish bonuses like those of the recent financial-sector bailouts. This bill will level the playing field and share the pain of bankruptcy, rather than leaving workers to unfairly shoulder the burden.

We urge Congress to swiftly pass this comprehensive reform legislation.

Thank you.