

Good morning Mr. Chairman, Ranking Member Petri and Members of the Committee. I am Captain Jay Pierce, Chairman of the Continental Airlines Master Executive Council of the Air Line Pilots Association, International. Thank you for the opportunity to speak regarding the proposed Continental – United merger. I am particularly thankful that you have taken the time to consider the effect this proposed merger may have on labor. I began my aviation career in the United States Army in the late '70s and have been a professional airline pilot for over 25 years. I am in my second term serving the Continental pilot group as its chairman.

I tend to think in terms of opportunities, risks and rewards. I believe that this merger will be an exercise in all three. The questions that have to be answered are: will the opportunities produce success, who will assume the risks and finally, who will reap the rewards. To some, the initial value created by participating in the merger will allow for claims of success. However, if creating a story for Wall Street simply through participation is the goal, that bar is set very low. None of us should accept a philosophy of mediocrity as the standard for success.

If done correctly, this merger can strengthen our airlines and help resurrect a failing industry. This is the opportunity. Our merger partner United's financial performance has been in critical condition and, although ours is better, it could be considered somewhat anemic. Over the last decade, network carriers have reported over 60 billion dollars in net losses. Since deregulation, there have been over 180 airline bankruptcies. Historical greats such as Pan American, TWA and Eastern have become extinct. Thousands of employees have lost their jobs, shareholder value has been erased and communities have suffered. The industry is broken and is badly in need of an overhaul. Continuing down the well traveled path of economic irrationality does not bode well for the traveling public, shareholders, or for the long term interests of airline employees. It is incumbent on us to find rational solutions. I believe that a properly executed merger can be a better solution for the industry than consolidation by failure.

Going third in this round of airline consolidation provides us an opportunity to examine what has worked and what has failed. It is clear to see that the difference between marginal success and real success can be tied directly to labor and more specifically, pilot labor. In a merger, it is not the executives, the bankers or the lawyers who assume the risk: it is the employees and it is labor. If we must carry the risk, we must share in the rewards. I cannot guarantee that this merger will be successful, but I can, with all certainty, predict its downfall if our pilots do not support the path our management has chosen.

The merger is expected to produce over one billion dollars in annual synergies. If the merger is successful, that success will be determined by the strength of the new entity, the value added to its shareholders and even more importantly, by the pride of the airline's labor force. This pride can only be regained by first returning to labor what has been lost through years of concessions. As irrational as it is to continue to foster a failing industry, it is equally as irrational to use the benefits derived from a merger to

simply enrich those who put the deal together or to continue to throw good money after bad with ill conceived business plans that reward only those at the top.

It is also important that this merger provide benefits for passengers. We should use this opportunity to reexamine subcontracting and outsourcing. When a passenger books a trip with Continental from Houston to Newark and then beyond, they have an expectation that the entity they purchased the ticket from is responsible for their travel experience. Network carriers should be operational airlines, not merely ticket agents. Our passengers have a right to receive one level of service and one level of safety, from the beginning of their journey to their final destination. To achieve that single platform experience, flights must be under the operational control of the network carrier and, therefore, be crewed by pilots working under a contract with that airline.

As Continental employees, we bring an award-winning culture of customer service to an industry marked by sharp declines in customer satisfaction. We bring strong job protections that limit the outsourcing of flying to the lowest bidder. If done in the right fashion, this merger can bring the best of Continental to the United name.

In closing, I would like to remind you that the Continental pilot group did not search out or solicit this merger. We are, however, cognizant of the fact that if done correctly, this could be an opportunity to create a great airline—one enriched by Continental's culture with a route structure capable of transporting customers to almost anywhere in the world and a pilot group unmatched in professionalism and experience.

Thank you for your time and I look forward to your questions.