

Wendy Morse Opening Statement 16 June 2010

Good morning Chairman Costello and other Members of the Subcommittee. I am Captain Wendy Morse, Chairman of the United Master Executive Council of the Air Line Pilots Association, International. I represent more than 7,700 active and laid-off pilots at United Airlines, and I appreciate the opportunity to speak before the Subcommittee regarding the proposed United-Continental merger.

Over the past decade, the airline industry has experienced the worst economic storm in the history of commercial aviation. An unprecedented series of financial shocks have taken their toll on airline service and employees. Bankruptcies, employee layoffs, contractual concessions, and outsourcing all have been well chronicled.

The proposed merger between United and Continental represents not only an opportunity for both airlines, but a possible sea-change in the economic direction and customer satisfaction for the airline industry. How this merger is handled will determine whether it is change for the better.

The choice could not be clearer and the recent history of airline mergers provides a vivid picture of which path to choose. We are not traveling down uncharted territory; the obvious path to success, should it be selected, has already been established. The advantage of the knowledge of what has worked and what hasn't worked must be recognized.

The Delta/Northwest merger, in which the company worked out a mutually satisfactory contract with the pilots, has been a resounding success. It has exceeded initial estimates for financial synergies, leading to a more viable company that provides greater service for the flying public and provides greater employment certainty for its employees. The America West/US Airways merger, in which management failed to

negotiate contract terms in advance, is still run as two separate companies. Mired in lawsuits, America West/US Airways has failed to realize the advertised synergies, even though the merger took place more than five years ago and continues to have its share of unresolved labor issues which benefits neither the company nor the consumer.

One axiom in this service industry stands as a beacon of truth: Take care of your employees. Ultimately, they will take care of the customers and the business will take care of itself. It is imperative that the combined United/Continental Airlines establish a management team not only capable of running the airline well, but one that also cultivates a culture where this combined entity provides the revenue and capital generation for a great product. In order for this merger to be successful, there must be a joint collective bargaining agreement with assurances for wages, working conditions and job protections that are commensurate with the professionalism that our pilots exhibit each and every day.

Thanks to the professionalism, commitment and financial sacrifice of the pilots and other employees, our airline has weathered numerous challenges, and now flourishes. But there are still challenges ahead. One of the biggest challenges for the pilots of United and Continental, and, indeed, for the airline piloting profession, is the industry's continued drive to outsource as much flying as possible to an ever-shifting collection of the lowest-cost subcontractors. Last year United Airlines laid off 1,437 highly experienced pilots, their jobs outsourced to these low-cost subcontractors. The average United Airlines passenger now has a 50-50 chance that their flight is not actually being operated by United Airlines. This philosophy, which puts profits ahead of the safety of the traveling public, must come to an end.

While airline executives have been on the Hill saying all the right things seeking approval, I speak for the United pilots when I tell you that our

contributions must be recognized in order for this merger to be successful and the synergies to be realized. We ask that as you consider the benefits this transaction will have for the industry and for consumers, you also measure whether managerial actions are consistent with their words.

United and Continental managements now stand at the threshold of what could be a great airline, one that sees sustainable profits and will also provide unmatched service to our customers. A combined United/Continental could establish a new paradigm in commercial aviation, one where management and labor work *together* to establish a solid, profitable airline where employees are properly compensated and where job security is not a constant concern.

As key stakeholders, the United pilots stand ready to embark on this new business opportunity. Our favorable participation will lead to a stable, sustainable airline. This, in turn, will produce an unprecedented level of success for United stakeholders, and an exemplary level of service for the flying public.

Thank you.