Labor Relations Advisor

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# Northwest, Unions Reach Concession Pacts

Northwest Airlines has reached a long-term restructuring agreement with its 160 dispatchers, represented by the Transport Workers Union (TWU), designed to save $1.5 million per year. TWU is the second union to ratify a long-term concession agreement, following the lead of a small unit of trainers and technical writers represented by the Aircraft Technical Support Association (ATSA). The ATSA contract saves approximately $2.25 million per year. A separate bargaining unit of meteorologists is conducting a ratification vote on a tentative long-term agreement.

These permanent restructuring contracts, combined with short-term concessions approved by the Air Line Pilots Association (ALPA), and the Professional Flight Attendant Association (PFAA), indicate progress towards achieving $1.4 billion annual savings the company says it needs to emerge from bankruptcy. (*Labor Relations Advisor*, November 2005). On an annual basis, ALPA's temporary reductions are worth $215 million, and PFAA short-term concessions save $117 million. These interim pacts provide 60 percent of the total cost relief required from these two groups, and permit the parties additional time to secure long-term consensual agreements. Northwest will delay its bankruptcy court hearings to reject the collective bargaining agreements until January 16, 2006.

Dispatchers accepted concessions in pay, work rules, and benefits. Base pay and overrides were cut by 5.5 percent. A flight dispatcher's monthly base salary starts at $2,760 and reaches a maximum of $6,066. The company retains authority to cut pay by an additional 5 percent during the bankruptcy period. Shift differentials and sick leave were eliminated, and group

*Continued on page 4* ▸

# Horizon Mechanics Approve New Agreement

Mechanics and related employees at Horizon Air, represented by the Aircraft Mechanics Fraternal Association (AMFA), have ratified a new 3-year pact by a vote of 187 to 153. The new agreement became effective December 4, 2005, and will become amendable December 30, 2008. The previous contract has been open for negotiations since December 15, 2002.

For licensed A&P mechanics, the contract provides a 2.8% average pay boost for the first 9 years of service, effective November 20, 2005. A new 10th year rate was established, which is 8.7 percent above the previous top of scale pay rate. The license premium for two licenses was increased to $1.50 per hour. Under the previous contract, the maximum license differential was $1.00 per hour. An A&P mechanic's base pay will rise by 1.4 percent in November 2006 and 2007. For fleet service workers and maintenance cleaners, the contract provides 5-percent average pay increases for those in the first 8 years of service. A new 9th year top rate of $13.76 per hour represents a 9.8 percent raise over the prior top rate. The fleet service pay scale will increase by 1.5 percent in November 2006 and 2007. The contract also established a new per diem allowance of $1.00 per hour.

*Continued on page 2* ▸

## IN THIS ISSUE

# NetJets Pilots Ratify Pay Increases

After more than 5 years of bargaining, pilots at NetJets Aviation have approved a new collective bargaining agreement. The company and the cockpit crew, represented by the International Brotherhood of Teamsters (IBT), had been negotiating since October 2001. NetJets, a provider of corporate and private jet service, employs more than 2,000 pilots. The 5-year agreement became effective November 21, 2005, and was ratified by 84 percent of the union voters.

The pact provides pay increases of 40 to 60 percent, based upon years of service and the type of aircraft flown. The contract caps a 14th year captain's annual base pay at $110,250 for Class 1 aircraft, $116,600 for Class 2 aircraft, and $120,840 for Class 3 equipment. Captains flying Class 4 and Class 5 aircraft reach the top pay bracket in the 10th year of service, earning $167,138 and $193,671 per year, respectively. Each year after reaching the top base rate, all captains will receive an increase of 2.5 percent or the cost of living, whichever is less.

The contract also provides company-paid medical/dental/vision insurance and a signing bonus of $10,000 per calendar year worked since October 1, 2001. In November 2004 the pilots rejected an earlier tentative deal that would have boosted pay by 12 to 14 percent, and provided signing bonuses ranging from $5,000 to $25,000. ■

# Flight Attendants At ATA Airlines Approve New Restructuring Agreement

ATA Airlines flight attendants, represented by the Association of Flight Attendants (AFA), have voted overwhelmingly in favor of a new contract that will extend wage, benefit and work rule concessions ratified in October 2004 (*Labor Relations Advisor*, October 2004). The new agreement will become effective January 1, 2006, replacing the current pact that is amendable in October 2007. The new contract will become amendable on October 31, 2008.

Although specific details were unavailable at press time, the accord will provide wage increases in 2007 and 2008, and will make long-term cuts in health insurance benefits. AFA members also accepted temporary savings on crew meal allowance, holiday pay, and sick leave. ■

# Tax Credit Buys Benefits For US Airways Retirees

A little-known provision of the 2002 Trade Act — The Health Care Tax Credit (HCTC) — is paying 65 percent of the monthly health care premiums for U.S. Airways' pre-65 retirees. As the tax credit becomes more widely known, bankrupt companies are expected to use it to help protect retiree health benefits.

Under IRS rules, eligibility for the HCTC requires that retirees receive pension payments from the Pension Benefit Guaranty Corporation (PBGC) or have received a lump-sum payment from the agency. In addition, all or substantially all of previous retiree health coverage must have been terminated because of a bankruptcy, and the retirees must elect to continue lifetime coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA). In January 2005, US Airways terminated defined benefit pension plans covering mechanics, flight attendants, and non-union employees, and eliminated health coverage for most of the Company's retirees. The PBGC assumed responsibility for the pension plans the following month.

The HCTC was an important factor in the court-approved settlement agreements between US Airways and its retiree committees. Under those agreements, the airline agreed to pay half of any cost increase for retirees under age 65 who opted to pay for health coverage continuation following the termination of the company's retiree health benefits. For a small group of retirees who were ineligible for the tax credit, the company pays half of the cost between the old plan and COBRA coverage. ■

## Senate Committee Approves Revising Age 60 Rule

A new Senate bill (S.65) would permit pilots to fly until age 65 with certain restrictions, reversing the Federal Aviation Administration's (FAA's) long-standing "age 60 rule" that requires commercial pilots to leave the cockpit at age 60. Co-sponsored by Sen. Conrad Burns (R-Mont) and Sen. Ted Stevens (R-Alaska), the bill has been approved by the Senate Commerce, Science, and Transportation Committee. In the House, a companion bill (H.R. 65) has been introduced by Rep. James Gibbons (R-Nevada).

The legislation would permit a pilot older than age 60 to continue to operate "multi-crew aircraft" as long as the crewman receives regular physical exams and flies with a co-pilot younger than age 60. Pilots who have been forced to retire at age 60 could be rehired. However, those employees could not sue to get their jobs back, and could not impose their prior seniority. The legislation also would mandate a report within two years addressing the safety effects, if any, of older pilots in the cockpit. The proposed change to FAA rules reflect standard practice in the global community, according to Stevens. Nearly 75 percent of 112 nations permit pilots to fly until their 65th birthday, he observed.

Proponents of the bill assert that the current age rule is discriminatory and unsupported by current medical evidence. Supporters include Southwest Airlines, JetBlue Airways, pilots at those carriers, and other major airlines. The Air Line Pilots Association (ALPA) and the Allied Pilots Association (APA) oppose the legislation.

The controversial age cap was established in 1959. At that time, the agency based its rule on medical evidence that men over age 60 were more likely to suffer sudden incapacitation by heart attacks or stokes. Previous attempts to overturn the rule have failed, both in the courts and in Congress. In 1998 the U.S. Supreme Court let stand a federal appeals court ruling that held the Age Discrimination in Employment Act did not limit the FAA's authority to issue the age 60 rule (*Professional Pilots Fed'n v. FAA*, 74 FEP Cases 345). ■

## Health Plan Strategies Slow Increase In Costs

Employers have gained some measure of control over surging health benefit costs, according to an annual survey by Mercer Health & Benefits LLC (*National Survey of Employer-Sponsored Health Plans 2005)*. Mercer's survey of 3,000 companies found that health benefits cost businesses an average $7,089 per worker in 2005. Employers experienced a 6.1 percent rise in health costs in 2005, and expect a 6.7 percent increase next year. These single-digit increases indicate some success in cost containment when compared to earlier experience. For example, these companies had predicted that health costs would rise by 10 percent in 2005 unless the benefit plans were modified. Similarly, benefit costs in 2000 were increasing by up to 15 percent annually.

The Mercer survey identified several measures that have dampened employers' health cost increases in 2005:

• Raising deductibles and co-insurance amounts. Among employers with 500 or more workers, the median deductible rose to $300 in 2005. More than one-third of small businesses charged deductibles of $1,000 or more.

• Implementing disease management programs. The number of businesses offering disease management programs grew to 41 percent in 2005, up from 32 percent the previous year. To support the shift to a "consumer-driven" health plan, four out of ten companies provide their employees with on-line information on health care quality and cost, and some employers offer financial incentives to participate in disease management programs.

• Modifying prescription drug plans. Employers have established tiered co-payments, emphasized the use of generics, and shifted part of the costs to workers. Large employers expected the costs of prescription drug benefit plans to rise by 11.5 percent, down from 18 percent growth in 2000. With introduction of the new Medicare drug benefit, 44 percent of companies will seek a subsidy available under the program. Forty-three percent of the businesses plan no changes due to the Medicare benefit, and 4 percent expect to offer wrap-around coverage. ■

# Court Finds No Discrimination Against Terminated Agent

A federal appeals court has ruled that Continental Airlines did not discriminate against an agent who was fired for asking co-workers to provide favors worth $43,000 for her friends and family, in violation of company policies (*Ramon v. Continental Airlines*, 5th Cir., No. 04-20983, unpublished opinion 10/31/05). Upholding summary judgment granted by the United States District Court, the appeals court found that Cynthia Ramon could not show discrimination based upon her age, national origin, or gender. Further, the ruling concluded that the plaintiff did not demonstrate that other employees received preferential treatment.

Ramon -- a 23-year veteran of the reservation department -- was an American-born, 48-year old Hispanic female. When company security officers investigated suspicious bookings, she admitted asking co-workers for favors. Continental fired Ramon and one of the co-workers, but permitted another employee to retire because of his age. Ramon filed suit under Title VII of the 1964 Civil Rights Act, and the Age Discrimination in Employment Act. Continental was granted summary judgment.

The plaintiff claimed that three other non-Hispanic employees were similarly situated to her but were either allowed to retire or to keep their jobs. The Fifth Circuit Court ruled that the three other employees were not similarly situated as Ramon, and that "these differences…justified the differential treatment…." The appeals court also upheld the exclusion of three affidavits from Ramon's co-workers who asserted Ramon had suffered discrimination. The affidavits contained "no more than conclusory allegations and legal conclusions," the court found. ■

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*Northwest* - *Continued from page 1*

employees and clerical workers, represented by the International Association of Machinists (IAM). As a result, the United States Bankruptcy Court has granted the airline's Section 1113(e) motion (interim relief) to impose 19 percent pay cuts effective November 16, 2005, and to reduce sick leave pay to 75 percent. (In re *Northwest Airlines Corp.,* Bankr. S.D.N.Y., No. 05-17930, 11/16/05). The reductions will save the Company $9.5 million per month, approximately 60 percent of the $190 million per year in permanent savings the airline seeks from the IAM group. The parties are continuing to bargain for a long-term consensual agreement.

The temporary relief provided by PFAA and ALPA became effective on November 16th. The interim concessions will remain in effect until the earlier of (1) implementing a long-term consensual agreement, or (2) rejecting the contract pursuant to a bankruptcy court order, or (3) the bankruptcy court's denial of the airline's petition to reject the contracts. For PFAA only, if none of the above three conditions have been met, and if the membership has not approved extension of the relief, the temporary cost reductions will be extinguished February 13, 2006. Below are details of the ALPA and PFAA temporary relief agreements.

- **Pilots.** The interim agreement provides for a 23.9 percent reduction to the hourly rates and elimination of premium pay for flying in excess of 80 hours per month. Captains' top of scale hourly pay rates range from $162.12 for the B-747 to $113.47 on the DC-9. The international flying premium and instructor overrides were reduced by 23.9 percent, along with the base premiums and cost of living allowances for Anchorage and Honolulu. Domestic crew meals were eliminated. Sick leave is paid at 75 percent of the pilot's hourly rate, except crewmen on extended sick leave shall continue to be paid at 100 percent.

- **Flight Attendants.** The PFAA agreement provides for a reduction in hourly and incentive pay by 20.7 percent, resulting in base hourly pay rates that start at $17.26 and cap at $38.94. Quarterly overtime pay was eliminated. International purser premiums were cut to $4.25 per hour on wide body aircraft and $3.00 per hour on narrow body equipment. The lead differential was reduced to $1.75 per hour on all equipment. The parties deleted short-staffing penalty pay and the $2.75 hourly international flying premium. The hourly per diem allowance was reduced to $2.00 for international flying, and to $1.80 for domestic flying. Sick days will be paid at 75 percent. The reserve guarantee will increase to 80 hours for three months beginning in December 2005. The company may implement voluntary, individual flex-ups to 88 hours per month for January and February 2006. ■

# News Briefs...

**NEGOTIATIONS**...The joint negotiating committee for **US Airways** and **America West** pilots have commenced bargaining with management for a single contract . . . **Delta Air Lines** continues hearings in federal bankruptcy court to terminate its ALPA contract. The pilots are fighting Delta's demand for concessions of $325 million per year, saying it adds up to around $500 million when discontinued pension contributions are factored in. Delta's dispatch employees, represented by the Professional Airline Flight Control Association (PAFCA), have ratified an agreement that cuts pay by 9 to 10 percent...AFA-represented flight attendants have rejected a tentative restructuring agreement with **Independence Air.** Attendants voted against the pact by 60 percent...citing security concerns and job losses, flight attendant unions are protesting **Northwest's** proposal to fill attendant positions with foreign nationals on overseas flights. The company says its proposal simply increases the mix of foreign nationals and expands an existing practice...**UPS** pilots say they will ask for a release from mediation by December 23rd if there is no tentative contract by that date. UPS and the pilots, represented by the Independent Pilots Association, began mediation about a year ago and commenced direct negotiations in October 2002...IBT pilot negotiators have rejected the final contract offer from **World Airways** after more than 2 years of bargaining. The airline has asked the National Mediation Board for a release from mediation...**FURLOUGH AND RECALL**...**United** will close its Denver reservation center in January 2006, citing a drop in call volume and the expense of renovating the facility. The 235 employees may transfer to Detroit or Chicago, or opt to be furloughed...**MISCELLANEOUS**...**United** has received about 7,500 applications for 2,000 flight attendant positions to be based in Chicago and Washington. The company has not hired flight attendants since the terrorist attacks of September 11, 2001. ■

## *Horizon* - *Continued from page 1*

Horizon and AMFA crafted significant modifications to paid sick leave and vacation. The old system of paid sick leave was replaced by extended leave, accruing at 1.85 hours each 2-week period up to a maximum of 2,080 hours. Employees who are sick may use paid extended leave after a waiting period of 40-hours' continuous absence on account of the same qualifying condition. To receive pay during the waiting period, or when extended leave is exhausted, employees may tap the new bank of personal time off (PTO) that replaces vacation leave. PTO accrues from 26 days per year after 1 year of service to a maximum of 36 days after 14 years. A worker may transfer accrued PTO to his extended leave bank. PTO may be used not only for vacation or illness, but also for other absences such as bereavement or jury duty.

Other changes include new merger protections and successorship provisions. Curbs on subcontracting provide that current AMFA-represented employees are protected from furlough through September 30, 2007, if the furloughs result from subcontracting work now performed by AMFA-represented employees. Seniority retention during furlough was extended to 2 years. The contract also provides for agency shop, union security, and includes new provisions for shift realignment and work area rebalancing. ■

## *Tax Credit* - *Continued from page 2*

The US Airways bankruptcy settlement covered all pre-65 retirees except for pilots. The company agreed to continue health coverage for cockpit crew because they are required to retire at age 60. The settlements exclude employees who retired after January 1, 2005.

US Airways, the PBGC, the IRS, and the unions coordinated a campaign to inform retirees of the tax credit option. The parties publicized the eligibility requirements and facilitated the application process. Almost all eligible retirees applied for the credit, and nearly 2,900 retirees began receiving the tax credit in early 2005.

"This tax credit has made a big difference for our retirees," noted Kurt Slawson, assistant general counsel for US Airways. Paying the full COBRA premium without the tax credit is "very expensive," he observed. Sherwin Kaplan, attorney for the retiree committees, agreed that the tax credit was "extremely helpful" in preserving benefits by effectively "put[ing] more money on the table." ■

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