

Capitol Hill Letters Press UAL on Pensions

Drafts making rounds in Congress urge preservation of funds

**By David Kesmodel - Rocky Mountain News
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U.S. Sen. Edward Kennedy and two fellow Democrats in the House are preparing letters urging United Airlines Chief Executive Glenn Tilton to preserve the troubled carrier's pension plans, which cover 120,000 workers and retirees.

The lawmakers have begun circulating draft letters on Capitol Hill, seeking signatures from other members of Congress to bolster their positions.

"We are writing to express our strong opposition to United's decision to end contributions to its pension plans and its threat to terminate the plans altogether," says a draft letter to Tilton, prepared by Rep. George Miller of California and Rep. Jan Schakowsky of Illinois, obtained by the *Rocky Mountain News*.

The letter urges Tilton to "honor the promises you have made to your employees and their families."

The letter stresses that Congress took action to protect airline pension plans earlier this year by passing legislation that let the carriers stretch out deadlines to replenish their plans.

"Members of both political parties supported this relief, because we believed, based upon representations by you and other airline executives, that this action was necessary to preserve the pension funds," it says. "Now, a few months later, we learn that United may end its pension obligations."

The letter also asks the airline to work with its employees and retirees to find a long-term solution to its pension-plan problem. "We would welcome the opportunity to work with you to achieve that goal," it says.

United said it wouldn't comment on the letter because it hadn't seen it.

Sources said a similar letter is being circulated by Kennedy, who represents Massachusetts and is the senior Democrat on the Senate Health, Education, Labor and Pensions Committee.

Miller, the senior Democrat on the House Committee on Education and the Workforce, represents San Francisco's East Bay area, home to thousands of United workers and retirees. Schakowsky represents suburbs of Chicago, United's hometown. United's hubs are in Chicago, Denver, San Francisco, Los Angeles and Dulles, Va.

Schakowsky is not only worried about her constituents, but she also is concerned about a burgeoning pension crisis in corporate America that could wind up hurting taxpayers, said Jon Samuels, a spokesman for Schakowsky.

United, the operating unit of UAL Corp., has said it likely would have to terminate its four pension plans, which are severely underfunded, in order to raise the financing it needs to emerge from bankruptcy. If it ended all the plans, their assets and liabilities would be handed to the Pension Benefit Guaranty Corp., a quasi-federal agency that insures pensions against default.

The agency says it would cover \$6.4 billion of the \$8.3 billion shortfall in United's plans, with the rest representing participants' losses.

Some observers fear the PBGC could require a taxpayer bailout if other big carriers seek to shed their pensions to stay competitive with United. The agency has a shortfall itself. Its liabilities outstrip its assets by about \$10 billion.

On Monday, US Airways, which already has killed its pilots' pension plan, said it might end pensions for flight attendants and others as part of its latest bankruptcy.

Schakowsky and Miller "are worried (United's actions) could create an avalanche of companies trying to avoid their benefit obligations to their employees," Samuels said.

The House members' letter already has garnered "significant" support from others in the House and "we expect more signatures this week," he said.

The International Association of Machinists, United's largest union, has urged the Bush administration and lawmakers to look into legislation that would deter the carrier from shedding its pensions.

"The administration remains concerned with the situation," White House spokesman Jim Morrell said. "We're continuing to listen to the stakeholders on this issue and look at a number of different options. We want to ensure that workers get the pensions they have earned."

United spokeswoman Jean Medina said the airline continues "to actively meet with our labor leaders, to share information with them about our financial information and seek their ideas and input."

No decisions have been made regarding the pensions, she said. The airline has said it would consider alternatives to ending the plans, but any option must provide the cost cutting necessary for the carrier to draft a viable business plan.

In July, United said it would stop making billions of dollars in contributions to its pension trusts for the rest of its bankruptcy so it could conserve cash and maintain financial flexibility. The move came soon after it lost a bid for more than \$1 billion in U.S. loan guarantees, which would have backed a \$2 billion private-loan package to pay for its exit from Chapter 11 protection.

Evergreen aviation consultant Bill Oliver said Monday he can see why lawmakers would be concerned about the welfare of United employees, but Denver's dominant airline "has its back against the wall."

"I don't know what else they can do," said Oliver, vice president of The Boyd Group. "I think it would be very difficult, if not impossible, for United to restructure without having to terminate the pensions."

He added: "Congressmen should be required to come up with some alternatives other than just talking."

United filed for bankruptcy in late 2002. Its workers already have made big sacrifices to help it survive, providing \$2.56 billion in annual wage and benefit concessions that took effect last May.

From the letter

Excerpts from a letter from Reps. Jan Schakowsky, D-Ill., and George Miller, D-Calif., urging members of Congress to join them in opposing a possible UAL decision to stop contributing to pension funds.

. "There is widespread fear that United's termination would lead to additional pension defaults in the airline industry."

. "We believe that this is an attempt by United to sidestep its obligation to employees despite

Congress' repeated efforts to provide pension contribution relief so that they would not have to make such harsh decisions."