United Airlines Faces More Labor Challenges After Pension Ruling

**By Dave Carpenter**

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CHICAGO - United Airlines gained a significant financial victory with court approval to dump its four pension plans but faces a tough challenge to win back the support of angry employees.

While smoothing the path toward a targeted exit from Chapter 11 bankruptcy later this year, Tuesday's ruling in U.S. Bankruptcy Court inflamed United's unions, with some hinting at the possibility of strikes or other disruptive actions.

It also prompted a renewed warning from some members of Congress that taxpayers may someday have to bail out the deficit-riddled government pension agency, which now will assume an additional $5 billion in pension obligations from United.

"Taxpayers had better buckle up because we will be in for a bumpy ride of bailout after bailout, as more and more corporations dump their pension plan obligations on the PBGC," said U.S. Rep. Jan **Schakowsky**, D-Ill., referring to the Pension Benefit Guaranty Corp. that already is operating at a more than $23 billion deficit.

The pensions cover 120,000 current and retired United workers, including 62,000 active employees.

The agreement approved by Judge Eugene Wedoff would give the PBGC $1.5 billion in notes and convertible stock in a reorganized UAL Corp., United's holding company. The agency, which called the agreement a "matter of last resort," must still formally sign off on the termination before it takes effect.

United was headed back to court Wednesday to take up another sensitive matter: The proposed overhauling of collective bargaining agreements.

Wedoff approved the pension plan over the objections of several unions, noting that the federal pension system preserves the majority of benefits for employees at troubled companies. He called it "the least bad" of the available choices, since it gives unprofitable United the best chance to keep functioning.

United's chief financial officer, Jake Brace, said the verdict was important but acknowledged it was "not a joyous day" for the Elk Grove Village, Ill.-based airline.

"Approval of the PBGC settlement agreement is a crucial step forward for the future of United, as it strengthens the financial platform this company needs to attract exit financing and compete effectively," the airline said in a statement released afterward. "At the same time, we clearly recognize that the court's decision is difficult for our retirees and our employees, who have been doing extraordinary work throughout this restructuring process."

Unions denounced the ruling.

"Today's decision is tragic and financially destructive for many of the 10,000 current IAM retirees who will see their monthly checks reduced because (CEO) Glenn Tilton broke the promise United Airlines made to them," said Randy Canale, president of District 141 of the International Association of Machinists and Aerospace Workers, which represents United ground workers. "Future retirees can expect to see their benefits cut by up to 27 percent."

The Association of Flight Attendants, which threatened unspecified labor actions if the pensions were struck, will meet to decide its next step, said spokeswoman Dianne Tamuk.

"We feel sold out," by the action, she said. Tamuk, 49, said her pension will be reduced from $1,700 a month to $800 a month by Wedoff's ruling.

The flight attendants are considering their legal options regarding an appeal, said AFA spokeswoman Sara Nelson Dela Cruz.

She declined to respond directly when asked if the flight attendants would follow through with their labor threats.

"We're going to look to replace this management team with a team that can lead our airline out of bankruptcy," she said. "Either they go, or we go."

United's effort to dump its pensions has been watched closely by the rest of the airline industry, where record fuel costs, the lowest fares since the early 1990s and stiff competition have caused network carriers to lose billions of dollars. Tuesday's ruling, following a step taken successfully by US Airways Group Inc. in February, clears the way for similar actions elsewhere.

United's biggest competitors would be under the most pressure to follow suit. American Airlines, the largest U.S. carrier and a unit of AMR Corp., has said it will keep its pension plans but is concerned about No. 2 United gaining a financial advantage with the elimination of its pensions.

On Wednesday, flight attendants for American will gather in Washington to lobby for federal pension reform that would allow carriers to extend the amount of time they have to replenish underfunded plans and provide relief to airlines that seek, through collective bargaining, to preserve rather than terminate their pension obligations.