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Abstract
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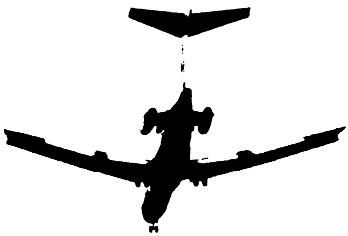
Keywords
IAM, District 100, Eastern Airlines, negotiations



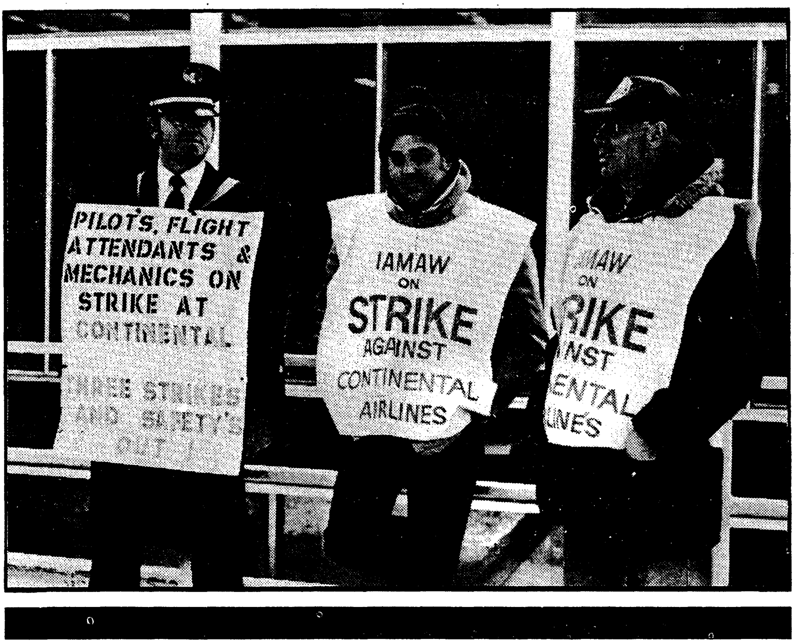
CHAPTER 11: The Fall Crisis at Eastern

by Paul J. Baicich

*After most of the articles in this issue were written, covering events leading up to the March strike deadline and the subsequent signing of the IAM-Eastern contract, labor-management relations at Eastern once again became volatile in the Fall. We asked Paul Baicich, a shop steward at IAM Local Lodge 796 in Washington, D.C., to write about these more recent events. An earlier version of this article appeared in **Labor Notes** (No. 57, Oct. 26, 1983).*

When the IAM's contract with Eastern was ratified on April 8, membership morale and self-confidence were at a high point. But labor relations in the airline industry as a whole were bad and getting worse.

The lockout of west coast IAM members working for Quantas Airways continued without a break. Quantas had hired an anti-union consulting firm and had contracted-out all of the IAM work the previous February. Other "flag carriers," such as Japan Airlines, Lan Chile and Iberia, were following a similar pattern of negotiations.



At Frontier Airlines, Chairman Glen Ryland announced that he intended to spin off a non-union subsidiary airline in the fall. The new carrier, to be called "Frontier Horizon, Inc." would fly new routes with workers earning at least 30% less in wages and benefits than those at competing airlines. At Western Airlines, where employees have accepted pay cuts for the last few years, management insisted again that the workers accept further reductions in pay. The unions there agreed to accept 10% pay cuts for one year in exchange for an employee stock and profit-sharing plan. At Republic, after looking at the books, the unions agreed to a 15% pay cut for nine months.

At Continental, the IAM was forced into a strike on August 13th by a management which insisted on contract language that could eliminate the entire IAM workforce by allowing the company to contract out "any and all work." Months prior to the strike, Continental began to train hundreds of flight attendants and mechanics for strike-breaking. The leadership and membership of District 146 of the IAM were caught off guard; many members crossed the picket lines, including some who had been on the negotiating committee.

Against this background, the September-October crisis at Eastern appeared ominous.

On September 19th, Eastern management withdrew its previous contract offers in its negotiations with the flight attendants, represented by the Transport Workers Union (TWU), and presented an unacceptable ultimatum. The company demanded a pay cut of 15% effective November 1 to be followed by another cut of 5% effective January 1; a vacation reduction of 20% starting in 1984; a dual scale for wages and vacation for old employees and new hires; an increase in employee-paid medical insurance costs, and a series of unsatisfactory work rule changes. Similar demands were also made to all of Eastern's other employees—union and non-union. The deadline for compliance with these demands was October 12th, the day before the flight attendants' strike deadline.

The fact that this ultimatum dovetailed with the TWU strike deadline put added pressure on the flight attendants and was clearly intended to intimidate District 100 of the IAM, which had pledged to honor any TWU picket lines. Could Frank Borman make a "clean sweep" on the morning of the 13th and eliminate much of the union presence at Eastern?

The Air Lines Pilots Association (ALPA) at Eastern and District 100 were, of course, not in negotiations at the time and thus these two unions were caught somewhat unprepared when this ultimatum was made. The Master Executive Council of ALPA at Eastern agreed that the company was in an unhealthy financial situation, but refused to give any more concessions until top-level management at Eastern was replaced. The Machinists were more skeptical of the company's financial contentions, pointing to Merrill Lynch's recommendation on September 13th that the company would be profitable in 1984, earning $2.70 a share. 1985 and 1986 earnings per share were projected to be between $4.00 and $5.00. The company, however, was pointing to a $106 million loss between January and July, and management claimed the company would have to shut down unless the employees made concessions. Then news from Continental Airlines rocked the industry.

Continental Airlines on September 24th declared that it was going to close its doors and reopen a few days later as the "New Continental Airlines" under Chapter 11 protection of the bankruptcy code.

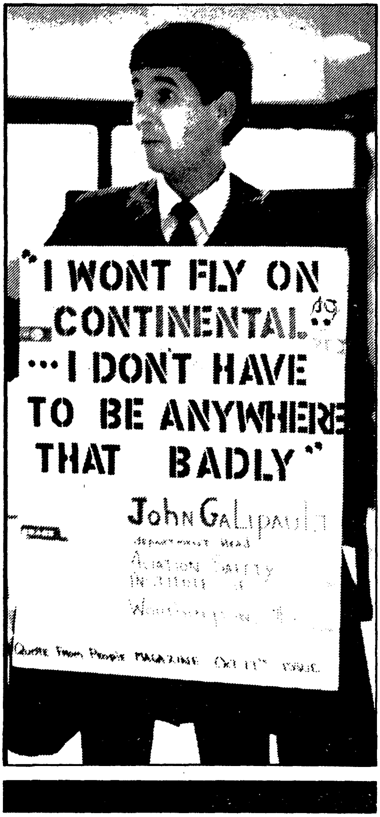
Continental's move was seen by the unions as clearly a way to get out from under labor contracts and a way to break all the unions on the property. Indeed, Continental Chairman Frank Lorenzo was quoted in the *Wall Street Journal* of September 26th as saying, "It wasn't a problem of (insufficient) cash... Our sole problem was labor." The flight attendants and pilots at Continental declared a strike and joined District 146 Machinists on the picket line. Continental management cut service from 78 cities down to 25 and reduced the pay of remaining workers by 50%. Continental's abbreviated schedule, use of scabs and new hires kept it flying on a wobbly course.

At Eastern, Borman played up the Continental Chapter 11 events like a virtuoso. Previous to this, a Chapter 11 threat was implied. Now that option, and all that it meant, became explicit. The company's propaganda machine, dormant since the spring, was in motion again. A videotape with Borman made the rounds at all the stations. Employees received letters from corporate headquarters in Miami stating that wage and benefits concessions are "the only real option we have." Management encouraged union members to tell their elected leadership that they wanted "to vote" on the company's ultimatum.

A number of flight attendants broke ranks and urged acceptance of Borman's demands. But TWU leadership and rank-and-file activists held fast. Demonstrations and counter-demonstrations took place at airports and ticket offices. In Boston, labor delegates attending an AFL-CIO meeting joined 80 irate Eastern Airlines flight attendants picketing the ticket office there. In Atlanta, IAM members passed the hat and hired a skywriter to write "Frank Borman, Resign Now!" above the heads of participants in a pro-Borman rally. In Miami, the IAM pulled-off one of its successful lunch-hour protests, reminiscent of those which occurred during the last crisis. This time a number of flight attendants and pilots bolstered the IAM's ranks.

The District made clear that Frank Borman was the problem and that he should not be allowed to remain the head of Eastern Airlines. Once again the IAM pledged to honor TWU picket lines if a contract was not agreed to between the TWU and Eastern, whatever the consequences. Captain Henry Duffy, ALPA President, recommended that the pilots not give in to any further demands from management and even threatened a nation-wide pilots' strike in response to the situation in the industry.

The effort to frighten the union workers into submission at Eastern was not working very well. If anything it backfired doubly: thousands of reservations were cancelled and many more were never made because of the bad publicity. The IAM accused Eastern management



of being its own worst enemy and of creating an economic self-fulfilling prophecy with its scare tactics. (District 100 estimated that in the previous 14-16 months, strike and shutdown threats cost Eastern in the neighborhood of $200 million—all due to bad management.) Clearly, Borman had to try another method to get the unions to submit.

William Usery, former Secretary of Labor under President Ford (and once a Grand Lodge Representative for the IAM), was brought on board by Borman to help run interference for the company. The IAM's original openness to Usery ended almost overnight. Usery asked the investment banking firm of Lazard Freres to conduct what he termed an "independent audit." District 100 blasted that attempt because it claimed that Lazard Freres was in no way "independent." President Bryan disclosed a number of facts to back up this contention, including the following:

- Felix Rohatyn, general and leading partner of Lazard Freres, served on EAL's Board of Directors from May 1977 through November 1980.

- Lazard Freres, in 1976, was brought in to restructure Eastern's debt and introduced the first pay concessions—the variable earnings program.

- Rohatyn reported when he was on the board at Eastern that Lazard had received $2 million for services it provided Eastern from 1977 through 1979.

President Bryan made clear that the District would not trust "the self-serving report from a firm which has an established dependency on the economy of EAL and which has played a leadership rôle in the plans of EAL employee concessions in the past eight years." Bryan went on to demand the retention of the firm Locker-Abrecht to review all corporate information necessary to establish "a true and accurate picture of the financial status of Eastern Airlines."

A few days later the company gave in. Eastern agreed to settle the labor dispute with the flight attendants and to rescind the threat of bankruptcy. The three major unions and management at Eastern agreed to have Lazard Freres and Locker-Abrecht jointly perform an analysis of the status and prospects of the company. The study by Lazard Freres and Locker-Abrecht, once finished, would be the basis for further discussions on getting the company on firmer financial footing. The three unions did not agree on any form of pay concessions, cuts or reductions—just discussions.

The Lazard Freres and Locker-Abrecht analysis will not be released without the agreement of all four parties—the three unions and the company. But judging from what the IAM has recently advocated, one can assume at least a few points will emerge. The District is not simply looking at numbers on the balance sheet. The leadership insists on uncovering causes, not just the effects. Remedies for the company will surely include challenging major management decisions that the District has opposed in the past. When considering the area of possible pay cuts or concessions, however, the District leadership in general and Charlie Bryan in particular have indicated that any "give-backs" in the area of wages will be voluntary and will be linked to a "loan program" which will guarantee return and interest, such as the IBA.

There is no long-term guarantee of victory here—that would entail an industry-wide union effort to challenge Chapter 11, deregulation and corporate union-busting. But District 100 did the right things. The vital spadework—research, education and mobilization done for negotiations in the past—paid off again in the September-October crisis and kept Borman at bay.

And there is reason to be hopeful. Cooperation among unions in the airline industry today is greater than ever before. ALPA President Duffy said that the situations at Continental and Eastern created an atmosphere in which his members are "finally learning the meaning of the most central word in the labor movement—solidarity."

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