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United Concealed that Changes to Retiree Health Care were Likely

United's Proposal to Change Benefits Product of Bad Faith Bargaining

CHICAGO — United Airlines CFO Jake Brace admitted that he knew well before July 1, 2003, that the company would likely seek changes to retiree health benefits through the bankruptcy court. Meanwhile, thousands of United employees decided to retire thinking their health care benefits would be preserved.

In an interview with Bankruptcy Court Examiner Ross O. Silverman, Brace stated that during the 1113 process and throughout most of the bankruptcy proceedings he believed it likely that United would seek 1114 relief and would have done so during the first part of 2003 if it had sufficient manpower and resources.

United sought and received \$2.56 billion in annual concessions from employees through the 1113 process. The fact that changes to retiree benefits were likely was never revealed to the flight attendants, leaving out a key piece of information during the concessionary negotiations and for employees who were considering retirement.

"When United's CFO believes that the company was likely to seek changes to retiree health care, our flight attendants deserved to know about it before they turned in their wings," said United AFA Master Executive Council President Greg Davidowitch. "This was a sin of omission. Management of the most senior level concealed vital information and stood silent while thousands of employees made the difficult decision to end their careers."

The fact that United withheld this vital information equates to bad faith bargaining and therefore taints the company's request to change retiree health benefits. "While we take some small comfort that United did not commit outright fraud, the flight attendants are still deeply disturbed that the examiner's report exposes a pattern of bad faith bargaining and deception by United Airlines," Davidowitch said.

The examiner will present his findings to Judge Eugene Wedoff on March 19 who has made it clear that United's attempt to seek changes through the court has a wider impact. In his memorandum of decision to appoint the examiner Wedoff said, "The question of whether United misled its flight attendants about the likely effect of retirement during the two-month window is more than a two-party dispute between United and AFA; it bears on United's overall good faith in dealing with its employees and former employees. This is an issue in United's pending efforts to obtain relief under Section 1114 (f) (g), since modification of retirement benefits can only be ordered if all affected parties are treated fairly and equitably. But the issue has a broader impact here: fair treatment of employees is key to any successful reorganization of a debtor's business."

More than 46,000 flight attendants, including the 21,000 flight attendants at United, join together to form AFA, the world's largest flight attendant union. AFA is part of the 700,000 member strong Communications Workers of America, AFL-CIO. Visit us at www.unitedafa.org.

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