BEFORE THE ALPA ARBITRATION BOARD

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THE CREW MEMBERS OF :

US AIRWAYS, :

Plaintiff, :

vs. :

THE CREW MEMBERS OF :

AMERICA WEST AIRLINES, :

Defendant. :

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HEARING, VOLUME III

GEORGE NICOLAU, Chairman

CAPTAIN STEVE GILLEN, Pilot Neutral

CAPTAIN JIM BRUCIA, Pilot Neutral

Washington, DC

Wednesday, December 6, 2006

REPORTED BY:

DONALD R. THACKER

Hearing before the ALPA Arbitration Board, on December 6, 2006, in Washington, D.C. at the

Marriott Wardman Park, 2660 Woodley Road, Northwest, at 9:30 a.m. before DONALD R. THACKER, a Notary Public within and for the District of Columbia, when were present on behalf of the respective parties:

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On behalf of US Airways

-- continued --

APPEARANCES (Continued):

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On behalf of America West Airlines

P R O C E E D I N G S

CHAIRMAN NICOLAU: Yes.

MR. KATZ: The US Airways merger committee call as its next witness Eugene Power.

CHAIRMAN NICOLAU: Would you ask Mr. Power to come over this way. I think I heard you taking him through the drill.

Whereupon,

EUGENE L. POWER

was called as a witness and, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KATZ:

Q Mr. Power, would you state your full name

and business address for the record please?
A Eugene L. Power, Managing Director, Touchstone Consulting Group, 390 Main Street, Suite 400, Wooster, Massachusetts.
Q What is your profession, Mr. Power?
A I am an actuary.
Q Can you tell us something about your firm and the educational and employment experience you

have had as an actuary?
A Sure. I have had over 30 years of experience working as an actuary. I had worked for a -- I was a regional director for a large international consulting firm for, until my retirement about eight years ago, I guess.
Touchstone was started up about 10 years ago, a group of senior professionals got together and thought we could do a better job than the larger firms. Right now we have about 15 professionals on staff.
They report to me, and I supervise them and I am responsible for many things, including project organization, peer review, those sorts of things.
Q And what sort of work does Touchstone do?
A We do actuarial work primarily employee benefits, retirement plans, health and welfare plans. We do some executive compensation, but not a lot, usually as a courtesy to our existing clients.

We do some IT projects as well.
Q And can you tell us about your educational

background and professional certification, sir?
A I am an enrolled actuary, a member of the American Academy of Actuaries and a member of the Society of Pension Actuaries. I have a BS in mathematics from Saint Lawrence University and I have done graduate studies at Fairfield University, the University of Southern Connecticut and Bridgeport University.
Q In addition to your consulting work that you generally described have you testified as an expert in legal proceedings before?
A Yes.
Q Would you describe some of those four us, please?
A Well, I testified, I worked with you on the USAir-Piedmont merger, that was arbitration.
Q The seniority integration arbitration?
A Correct.
I testified several times during the bankruptcy hearings at Frontier Airlines on two plans that were under contention, the pilots plan and the ALEA plan.

Q Was that in the bankruptcy court in

Denver?

A Yes. Yes, I worked closely with the ALPA actuary on that testimony.

I did some testimony at Federal Express-Flying Tigers. I can't remember what the venue was, it was quite a while ago.

Q It may have actually been before Mr. Nicolau?

CHAIRMAN NICOLAU: Yes.

BY MR. KATZ:

Q As the arbitrator in the seniority integration between the FedEx and Flying Tiger pilots?

A Uh-huh.

Q I think you were a witness for the FedEx pilots?

A Yes.

Q Whom I was representing?

A Yes.

CHAIRMAN NICOLAU: That was only 16 years ago.

THE WITNESS: Seems like just yesterday.

BY MR. KATZ:

Q I am trying to remember whether you came to Memphis or to the Mayflower Hotel in Washington?

CHAIRMAN NICOLAU: I am not sure either.

BY MR. KATZ:

Q The hearings were in both of those places.

But I believe you did testify about the retirement matters in that case?

A Yes. I was in Memphis, I do recall that, because the Federal Express pilots treated me to the best ribs I have ever had in my life.

MR. FREUND: What was the restaurant, do you remember?

THE WITNESS: It was near the -- was it the Mississippi?

MR. KATZ: Yes, the Mississippi River.

We stayed at the Peabody hotel --

MR. FREUND: At the Peabody you have duck. Rare, right.

MR. KATZ: Well, thank you, Mr. Power.

We would proffer Mr. Power as an expert in

actuarial science.

MR. FREUND: I have just got a couple voir dire questions.

CHAIRMAN NICOLAU: Go ahead.

VOIR DIRE EXAMINATION

BY MR. FREUND:

Q Did you give us in your direct testimony all of the circumstances or matters in which you have testified?

A I didn't go over any specifics, I just said that we have worked on a variety of airline projects and I just listed the airlines.

Q Okay. But my question is, well, let's

just do it this way. Can you recite for us those matters in which you actually testified, you, and in which you were qualified to testify as an expert?

A Well, the first two that I just cited, I recall those for sure.

Q And the first two that you cited --

A USAir-Piedmont.

Q You actually testified in that proceeding?

A Yes.

Q And the --

A And the Frontier Airlines bankruptcy court proceeding with the pilots plan and the ALEA.

Q Okay. And then of course you said you testified in the FedEx-Flying Tigers as well?

A Uh-huh.

Q And do you remember if in those cases you went through the same exercise we are going through here, that is to say Dan or some other lawyer proffered you as an expert and the finder of fact, whether it was a bankruptcy court judge or the arbitrator, qualified you as an expert witness?

A Yes.

Q And you testified that in connection with the Frontier matter you worked with the ALPA actuary, do you remember who that was?

A Bitold, Ben Z.

Q Is that a person or company?

A A person.

Q Do you know what company he works for?
A He works for ALPA.
Q Are you familiar with the Segal Company?

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A Yes.
Q And you understand them to be an actuarial consulting firm as well?
A Yes.
MR. FREUND: I have no objection to this witness testifying as an expert.
CHAIRMAN NICOLAU: Very good, you may continue.
DIRECT EXAMINATION (Resumed)
BY MR. KATZ:
Q Would you describe for the arbitration panel, Mr. Power, what project the US Airways merger committee approached you with a request to participate in and approximately when that was?
A Sure, I think it was last spring sometime, probably in March, I was contacted, and notified that there were going to be hearings on the merger of the seniority lists, and would my firm be willing to help prepare a study, dealing with pre-age-60 attrition within the pilot group.
We agreed, and we had many telephone conversations, and the project evolved over time.

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Eventually what we settled on was a project in two parts. The first part was the actual attrition study itself. We took six years of historical data and we developed what we actuaries call probabilities of attrition, and these are age-based tables. And as you might imagine the probability of attrition at age 25 is very different than the probability of attrition at age 55.

We then took those probabilities and applied those to both the USAir and America West seniority lists that I have been provided by the merger committee to project those seniority lists out into the future to 1-1-2023 specifically, in order to frame a reasonable picture of what the closed group seniority list might look like at each year in the future until that 1-1-2023 date.

Q When you refer to a closed group seniority list can you tell us what the definition of this a closed group is?

A Sure, we didn't allow any new hires into either the USAir group or the America West group.

Q You mentioned two parts was that the two

parts that you just described?

A Yes, the first was the development of the probabilities, attrition study, and the second was the projection of the seniority lists.

Q Let me ask you whether this analysis that

you were requested to perform was similar to anything that you had done previously in your work as an actuary?

A Many times. In the course of -- what we do, what we benefits actuaries do is we do actuarial valuations. We help companies and Taft-Hartley plans quantify liabilities under their employee benefit plans, both retirement plans and health and welfare plans, mostly medical plans.

And to do that we need to predict how many people in the group are going to make it to retirement. And so if the group is large enough we will on a parriot basis, test our assumptions and develop new assumptions as to the pre-retirement attrition in order to better evaluate those liabilities.

Q And so you have done that kind of work for

companies as a consultant then?

A Yes. Absolutely, many times.

Q Have they used and relied upon the work that you have done in their business?

A They have. They have relied upon it, and furthermore, under ERISA, when I sign a valuation report and when I sign a schedule B for a retirement plan, I am attesting to the fact that the assumptions that I am using are reasonable individually and in the aggregate.

Q All right, and do you follow similar

procedures in their project that you utilized in the others?

A We did.

Q Would you describe first, I think they may be listed on page two of your report, what sort of data you received and from whom in order to start the analysis?

A Well, first of all, let me get this out of the way. All the data that we received came from the USAir pilots merger committee.

Q Okay.

A Okay. The first thing that was provided were the seniority lists as of January 1 for each of the years 2000 through 2006. The second thing were multiple lists of pilots exiting during those years, from the seniority list.

Q And it gave the cause, according to your report?

A Right; correct.

Q What would be a designation of the cause, there were broad categories of causes?

A Yes, we talked about retirement, both age 60 retirement and earlier retirement. We looked at mortality, death, and we looked at termination of employment, resignation, involuntary termination.

Q I notice you didn't mention medical disability, which the people in this room are well aware, including yourself, is sometimes a cause of

pilots leaving the active employment of their airline. Was that something that you studied?

A It is something that we studied. I have studied in the past, I have studied it. I studied it in the context of this project as well.

There are some unique challenges with the disability decrement as we call it. First of all, the pilots typically stay on the seniority list when they are in medical leave of absence status. It was difficult to track the data because we probably -- we knew when a pilot left -- well, we didn't know when pilot was leaving the seniority list to go into medical status, and we couldn't really tell whether they were -- when they came back to active status, if and when they did.

So in the end it was decided that the medical leaves of absence would be left on the seniority list and subjected to all of the other probabilities of attrition just as an active pilot would be.

Q All right. Then as an initial matter I guess we can say that your conclusions about attrition are incomplete, admittedly incomplete in that they don't take into account additional pilots falling ill or becoming disabled?

A Well, yes. What we studied really was when do they leave the seniority list. To the

extent that a disabled pilot does not leave the seniority list, we didn't remove them.

Q Okay. You have listed among the information that you received as well, a copy of the US Airways airline pilots attrition study performed in 1988 by Frank B. Hall Consulting Company. Can you tell us something about that?

A Yes, that was the -- that was in the -- associated with testimony that I provided on the merger of the USAir and Piedmont seniority lists.

Q That was a report for the Cagle arbitration then. We call it the Cagle arbitration because the chairman was Sam Cagle?

A Uh-huh, yes, and I worked for the company was called Frank B. Hall Consulting Company at the time, it has since assumed many different names. It is currently Aon Corporation.

Q Your report said that the US Airways merger committee did not provide you historical attrition data on the America West pilots?

A Correct.

Q But we did provide a seniority list with

birth dates and dates of hire?

A Yes, and that is listed later on in my report.

Q Okay. What else can you tell me about how

you started the project?

A Well, I guess the best place to start would be down near the bottom of page two here. We really viewed the seniority lists and the data in two pieces. We looked at non-retirement attrition separately from retirement attrition, and we did that primarily because the incidence of non-retirement attrition is relatively small, and when you are dealing with small numbers like that you are prone to volatility. And so we exercise more analytical judgment, I guess I would describe it, in trying to discern some patterns from that sort of data for the retirement date, for the retirement data the patterns are more or less obvious.

So as I said on the bottom there, we addressed the non-retirement attrition first. And it is important to note that when do you a study

like this there are two fundamental elements to it and that is the, and this a word that Dan made up, I think, the number of pilots that attrit during the experience period, and what is called the exposure.

We may have 27 pilots dying in a particular experience period, but the other fundamental concept, is 27 out of how many pilots? If it is an 100 pilots that is pretty serious. If it was 10,000 pilots then it is more normal. So the exposure is important.

And we gave a little example here of how the exposure is calculated, quite simple.

Q How do you measure the exposure?

A On the top of page 3, if we have an individual who starts out in the first year of the experience period, he is age 37 and he is in the experience period for a half a year, and in the next year he ages one year, in the next year he ages one year, he has full exposure units in those years. In the final year of the experience period again he has a half a year.

This individual has contributed six

exposure units to the study, and at each of the ages indicated. So in the denominator of our fractions we will add, when we do all of our analysis for 37-year-olds, we will add a half a year into the denominator for this individual.

When we do all of the analysis for 38-year-olds we'll add a full year into the denominator for that individual and so forth.

Q And on page 2 you indicate that over the time span you studied there were 33,455 exposures produced by the US Airways seniority list; is that correct?

A Correct.

Q And that was calculated in the manner in which you just described?

A Exactly.

Q And you give the number of retirements and other exits right below that?

A Uh-huh, yes. You can see that the 265 other exits are relatively small in comparison, to the retirement --

MR. FREUND: I am sorry, where are we

looking in the report?

THE WITNESS: Kind of the middle of page 2.

BY MR. KATZ:

Q Now let's look to page 4, which is the chart A that follows the prose on page 3, and perhaps you can tell us what this chart shows?

A Yes, this is what we call the raw data. This is the -- these are, as opposed to probabilities these are the rates of attrition at each of the indicated ages, essentially it is the number of people that attrit in the year divided by the exposure units for that year.

So you can see that we had a bit of a spike in attrition, looks like about age 30, and then the attrition settles down during the middle ages, and then at age 55 the early retirement decrement starts kicking in and the pilots start leaving due to retirement.

Q All right. And the next page chart B has a blue line on the top and a red line on the bottom. Would you explain what these charts are, please?

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A Sure. If you go back to chart A for a second, if you just look at the span there between age 29 and age 50, you can see that there is a certain amount of chaos associated with that chart.

What we actuaries try to do is try to discern the underlying pattern of attrition over a long period of time. I guess the best analogy I can draw is, if you flipped a coin 10 times and you got six heads and four tails, could you conclude that the probability when you flip a coin of getting heads is 60 percent. Well, obviously not. Why? Because the 10 trials were not enough.

So that is what we tried try to do. We try to discern the pattern over a huge number of trials and come up with a smooth monotonically increasing or decreasing set of probabilities that will fit the pattern over the long term.

Q And is this a principle of actuarial silence called -- that all actuaries follow?

A Yes, yes, sir. So, one of the techniques that we use is age banding, and five is just an illustration of the age banding that was used to

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look at this data, again to try to discern some patterns here. And what we chose was that the

10-year age banding seemed to make a little bit more sense to us, that the attrition would start out fairly high at the younger ages, and then settle down to a reasonable level over the middle ages and then, of course at age 50 retirement starts in and we discuss that in a second.

Q All right. Let's go to page 3 of your report then, where you begin discussing retirement attrition, and please tell us, Mr. Power, how you went about analyzing that?

A Two things to say about the retirement attrition. One is that it was more -- it is more robust, we had more -- higher incidences of retirement than we did the other attrition, so we had more meaningful data to work with. The second thing is of course we are working over a much narrower age span.

So we didn't really need to use the smoothing techniques and the banding techniques that we had used for the earlier attrition.

If you look on page --

Q 7?

A -- 7, you can see a fairly obvious pattern of retirements, and I think these are intuitive to anyone looking at a retiree eligible group. The one thing to point out here is that after first looking at the active pilots and the furloughs together I asked Greg Richter, the actuary that was working on

this, to analyze them separately, and you can see a fairly disparate incidence of retirement between the furloughees and the actives.

And it was at that point that we decided that in the interest of accuracy that we would use different retirement probabilities for the furlough group and the active group.

MR. FREUND: Dan, would you mind if I asked, not a cross-examination question, but it would certainly make it easier for me to understand, and I have a feeling the panel might understand it better, if we knew what the vertical, what the numbers on the vertical axis were.

THE WITNESS: Those are probabilities.

MR. KATZ: Probabilities run from zero to 1.0?

THE WITNESS: Right.

MR. FREUND: Is that the case with respect to chart A and chart B?

THE WITNESS: Yes, yes.

BY MR. KATZ:

Q And if something has a probability of 1 it is certain to occur?

A Right. That is why we couldn't show the age 60 here because it would have gone off the chart.

Q It would have reached 1?

A Yes.

Q And then we wouldn't be able to see the lines --
A Exactly.
Q -- at the smaller levels?
A Yes.
Q Now, following the chart C on page 7 you have something called table A, which is entitled probabilities of pilot attrition. Would you explain

to us what the columns mean and what is displayed in this chart, please?
A Sure. On the left are the ages that we are dealing with here. Actually Dan pointed out that a pilot age 20 is not qualified to fly. This is just a -- this is just an actuarial extrapolation.
Usually when we do say a pension valuation we start at age 20 and chart, so it was just a force of habit, I guess. We would not have applied that probability to anyone in the database because there was no age 20. So it is there for your information.
At any rate, from age 20 to age 49 those are the smoothed probabilities of attrition due to death and termination, resignation, involuntary termination. And as you can see they follow a rather smooth pattern. We used -- we fitted them to an exponential curve using, I am drawing a blank here --
Q Lee Squares?

A Lee Squares criteria, which is a very common statistical technique to use. And you can

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see that the attrition at the early ages where we would expect higher turnover is higher and then it decreases.

The mortality embedded in here increases with age as well, but still for a 49-year-old pilot the mortality is still very, very light, as compared to the other incidence of turnover.

Once we have reached age 50 then we enter the retiree zone, and as I said before, we decided to reflect slightly different or somewhat different probabilities of retirement based upon the data, so you can see that the probabilities of retirement for the active and the furloughed is the same up to age 55. And then there is a marked increase in retirement for furloughed pilots at age 56, and that prevails up until 100 percent probability of retirement at age 60.

The column at the right there is other forces of attrition that apply to the pilots in the retiree zone, and this is mortality, and for this purpose we chose a standard healthy male mortality table to apply here.

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Q And you updated that table to the current

time because the health of Americans seems to be gradually improving over the years?

A Correct.

Q The part at the top that goes from 20 to 49, is that derived from the 10-year banding analysis that you described earlier?

A 10-year banding analysis, and then as I said, fitting it to an exponential curve using the Lee Squares criteria.

Q And that includes the mortality figures within it?

A Correct.

Q And down below essentially for the 50- to 60-year-olds the probabilities include mortality only?

A Right.

Q And then in the columns under active and furloughed you have the probability of retirement?

A Correct.

Q Having made up these percentages in table A what did you do next?

A Well, then we proceeded to Phase II of the project. The merger committee had asked us to apply these probabilities to a current version of the seniority list to try to picture what the seniority list might look like out into the future.

So if you turn back to page 6, under the heading B, seniority list projection, this is the

data we received to do this second portion of the project. We received a US Airways pilot 6-1-2006 seniority list.

I understand from conversations I have had that some people call it a 7-1 list, some people call it a 6-1 list. It was labeled to us as a 6-1 list, I think it is exactly the same as a 7-1 list.

Q Yes, we call it a 7-1 list because there was no age 60 or other attrition on the -- after the 6-1 list prior to 7-1, so it is the same.

A All right.

Q But what is labeled is what you have in your report?

A Right.

Q And you also had a July 1, 2006 America

West seniority list?

A Correct. And then we were also provided with attrition after those dates through early November, and from that we were able to develop a proxy 1-1-07 seniority list by simply taking the pilots in Item 3 and deleting them from the first two lists there.

Q Mr. Power, can you tell us how many names were on the attrition list for the second half of 2006?

A I believe we had 140 names.

Q Thank you.

A For the USAir.

Q And the data that you just described was used with the analysis that you previously described to project attrition for the two pilot groups?

A Yes.

Q And can you explain to us what the steps were that you went, that you implemented to achieve that?

A Okay, this is the hard part.

Q I take it they are the 10 steps that are

set out on the bottom?

A Yes, I think the -- it is hard to describe, and if you bear with me, if everybody would turn to page 9, I think maybe I can walk you through an example.

Q Good. We love examples.

A Yes. Let me just back up a minute and just say that for some morbid reason we actuaries are not good at dealing with whole people.

UNIDENTIFIED VOICE: You got the right group.

2nd UNIDENTIFIED VOICE: I resemble that remark.

MR. FREUND: Remind me to tell you an actuary story.

THE WITNESS: I think I have heard them all.

MR. FREUND: About reverse birthday cakes.

(Discussion off the record).

THE WITNESS: Should I continue?

CHAIRMAN NICOLAU: Yes.

BY MR. KATZ:

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Q Yes, let's go back on the record. We are on page 9 with table B projection illustration, Mr. Power?

A Yes. When we do our actuarial studies it doesn't bother us at all, you know, if we have a census list and we are doing a projection valuation that we deal with 0.6 of a person out in 2020. It is as I described it here. It is an actuarial abstraction and it produces perfectly acceptable results when we are dealing with things like liabilities and things of that nature.

For the purpose of this exercise, however, we really needed to create an algorithm which would allow us to look at individuals. You know, if we had a group of 100 pilots, you know, and you gave me their ages, I could tell you that two of them were going to die in the year. I can't tell you which two but I can tell you that two are going to die in the year.

Well, the exercise was to try to do a reasonable job at identifying the people in that 100 and that group of 100 that are attriting in the

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year.

So that is what we did on page 9. And if you just bear with me here. The column on the left there is the seniority position we have designated it as SP in any given projection year, so, for the first year and any year into the future.

The second column is the original seniority number and, by the way, this is totally made up data. This is not taken from any -- it is just hypothetical data. So conveniently we had the seniority position equaling the original seniority number column 1 and column 2. Then hypothetical ages in column 3.

Then we have the probability of retirement. Then we have the probability of other attrition. So you can see there, for example, original seniority position number 1 of pilot age 60 his probability of retirement should be 1. Sorry.

CHAIRMAN NICOLAU: I was going to say it should be 1, shouldn't it yes.

THE WITNESS: Yes.

MR. KATZ: These columns are reversed, 4

and 5?

THE WITNESS: Yes, they are, sorry.

But it really doesn't matter --

MR. FREUND: There goes a line of cross-examination.

THE WITNESS: Because all we do is add them up, that gives us the total probability of attrition in the year, and subtract it from one, and that represents column 6 which is the probability that the pilot will survive to the end of the year or the beginning of the next year.

Okay, so you can see, for example, the 60-year-old pilot has no chance of surviving on the seniority list at the beginning of the next year.

Similarly, the second, the person in the second position is age 59, he has a 0.6 percent chance of either dying or retiring, so he has a -- does that add up to --

BY MR. KATZ:

Q It does add up.

A Yes, 6/10 plus the 1/10 is 1.6 percent, subtracted from 1 gives us 0.894 percent.

Q For the record it is 6/1000, right, 0.006 and 0.06?

A Yes, 0.006, 6/10 of one percent.

Q Okay. And then when you add the 0.1 and the 0.006 and subtract from 1 you get 0.894?

A Correct.

Q So that is his likelihood of surviving on the seniority list until the next year?

A Right. And we do that, you know, at each -- for each seniority position calibrated to each age on the seniority list.

Then comes the tricky part. The program then stepped down the seniority list, eliminating pilots according to their probabilities of survival. If you follow with me down column 6 here, this is the way the algorithm went. Pilot 1 has a 0 percent probability of surviving, he is out. He is off the list, okay?

And he doesn't contribute anything to the rest of the list in terms of a probability of survival. So we take zero and we add it to 0.894, and you get 0.894.

So pilot two is at 0.894, which is still less than 1, so he is out. But the 0.894 contributes to the probability of survival, we add the 0.894 attributable to pilot 2 to the 0.894 attributable to pilot 3 and we get roughly 1.8, that is greater than 1, so pilot 3 survives.

And you can see if you go to column 8, pilot 3, the original seniority number 3, survives to live another year.

Q And he becomes the number 1 person on the seniority list?

A And he takes the seniority position number 1. And the program steps this down through all 4800 or so seniority numbers for the USAir pilots, and the 1800 or so seniority numbers for the America West pilots, and produces projections of seniority lists at each of the ages 2007 through 2022.

Q When you go from 2007 to 2008 you end up with only eight of the pilots surviving and they are shown there with their original seniority number under column 8, correct?

A Correct.

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Q And then a year later there is six remaining, and their original seniority number is shown in 2009 in Column 14?

A That is correct.

Q Now, you have included in your report behind these blue tabs in appendix A, 134 pages of year by year analysis for the pilots on the US Airways seniority list; is that correct?

A Yes, sir.

Q And I would ask you to flip to the second blue tab so that we can get to page 133, it is the page right before the blue tab, and take a look at seniority number 3343 who happens to be the top one on page 133. And can you explain what is displayed here with regard to that pilot?

A Yes, we just chose randomly, really, a number of 3343, and we decided that we wanted to track him through the seniority list. So number 3343 is a pilot age 46 years old, as of the 1-1-07 seniority list. And then we put him through the algorithm, we put all the pilots through the algorithm to see how he will move up in the

seniority list.

So if you then turn back to page 119, and if you look under the 1-1-08 projected seniority list column, about a little bit more than halfway down, you will see number 3343 as one of the survivors, now age 47.

Q So he has made it a year later through there attrition analysis?

A Right, right. And I guess we could go on all day about this. If you would turn to page 109, we won't --

Q We won't, but let's turn to page 109 anyhow.

A Under the column 1109 which is the next duration, the next seniority list, a little bit less than halfway down you will see number 3343 and he is now age 48. So he survived another year.

Q Let's just, we have checked this particular pilot and he keeps surviving. If you look at -- for a while, to page 28, and look under the column for January 1, 2017, where the seniority list is down to 1778 names, we see number 3343 as

aged 56. So he is still around at that point in time, correct?

A Yes.

Q But then flipping a few pages ahead to

page 22, actually going, go back to page 22, under January 1, 2018, if you skip down to the part of the list, there is an a hole there between 3342 and 3344 where the pilot we have been following used to be, and he is not there anymore, which means that he was attrited or retired or something happened and he is gone from the list now, under your analysis?

A That is correct.

Q Are you comfortable that this is a sound actuarial analysis of the reasonable projection of what would happen to the US Airways seniority list?

A Yes, I think this is a reasonable and sophisticated way of assigning probabilities to the future seniority list.

Q Flipping past the last blue divider you have appendix P and have you done the same analysis on the America West pilot seniority list?

A Exactly the same analysis, exactly the

same algorithm producing exactly the same types of projections.

Q Have you used exactly the same assumptions about the likelihood of retiring or dying and applied them to the America West pilots?

A We have.

Q And that is displayed pilot by pilot and year by year through 2023 in appendix B?

A That is correct.

Q And have you assembled that data in your

report in some coherent fashion?

A Well, we drew some conclusions.

Q Where are those set out?

A On page 13.

Q Okay.

A For each of the projection years we just summed up the projected attrition for each of the pilot groups. So in 2007 we are expecting 336 US Airways pilots to attrit. That represents 7.2 percent of the starting group.

In 2007 we are expecting 72 America West airline pilots to attrit, that represents 4 percent

of the starting group. And we have done that for each year in the future, and the results are not surprising, because the attrition statistics, the attrition probabilities are age-based.

They increase, generally they increase with age and particularly the early retirement assumption, and so it is logical to assume that with the older pilots it will be more heavily impacted, both in absolute terms and as a percentage of the group, the older pilots will be impacted more heavily than the younger pilots.

The probabilities of attrition continued to be -- excuse me, not probabilities, the percentages of attrition, continued to be greater for the US Airways pilots until age -- until year 2022 when the fraction flips over and the attrition

is greater for the America West pilots.

Q Now, you mentioned earlier in your testimony, Mr. Power, that you have not included any component for additional medical disabilities for pilots?

A That is correct.

Q What is your view as to how that factor would impact the two seniority lists if it were considered?

A I have thought about this a lot. I don't think it would impact it a great deal, and the reason for that is that I think it is reasonable to assume that the cadre of disabled pilots on either list in any given year is going to remain fairly stable as a percentage of the total group.

I wouldn't expect the percentage of disabled pilots to materially increase or decrease. So I think that, you know, overall it is going to have a minimal impact on the groups, on the relative seniority position.

Q Are you saying that it would remain the same because some pilots would recover and some would leave the seniority list but others would become disabled?

A Precisely.

Q And would there be a -- let's assume that there is a greater percentage of medical disability pilots on the US Airways seniority list than there

is on the America West seniority list. Would you expect that to continue, that variance for the near future?

A Yes. It actually -- well, let me take that back.

As the America West pilots, which start out at younger ages, as they age we know that the incidence of disability actually increases with age. So in fact we are probably going to see a higher incidence of disablement among the America West pilots than the USAir pilots.

Q As time goes on?

A As time goes on.

Q But in the coming years, the next few years, given that the US Airways list is older, would you expect a greater percentage of disabilities at US Airways or America West?

A The US Airways, short term.

Q Now, you say we know that there is an age relationship with the disabilities, there is a correlation. How do you know that?

A Oh, there is all sorts of actuarial

studies that have been done on disability. We underwrite long term disability plans, and so we

have occasion to take tables from the Society of Actuaries, from insurance companies, and they are -- they clearly show that disability increases with age.

Q And have you looked at any studies in particular with regard to airline pilots?

A Yes, back when we did the 1988 study we looked at the dark study, ALPA had done some study material. I have actually got a list of the studies that we looked at here. If you --

Q Perhaps you can find that over the break and provide that list when we return after the break?

A Okay.

Q I just have one other area that I would like to ask you a couple questions about?

A Of course.

Q It won't take but a minute. But I gave you a copy of an exhibit that was introduced yesterday from the employment data volume which is

numbered Exhibit B-18A, recall date of last US Airways furloughee. Do you have that, Mr. Power?

A Yes.

Q You have got your -- do you want to take a look at this while you are doing this -- oh, you have got that there.

CHAIRMAN NICOLAU: Go ahead, ask your question.

BY MR. KATZ:

Q Okay. Let's look at the last page in Tab 18, which has December 2007 recall date for Mr. Varini, and which the exhibit states that 569 vacancies are required in order to provide for a recall to this pilot.

Can you tell us anything about your analysis that you have just taken us through that either corroborates or otherwise relates to this exhibit?

A Yes, the crossover point there between, how can I describe it, the gray area, the line above the gray area, and the line slanting down from the left, appears to be just about 500 pilots; is that

correct?

Q Yes.

A And that 500 pilots, since that is the height of the blue area and the gray area, that is the number of pilots that have, the cumulative number of pilots that have left as a result of attrition, either retirement or other attrition, since 8-2006. That is the way this chart is started.

Q The chart begins with July 2006 data and then shows points of attrition for each month after that?

A Right; so it would be reasonable to say that this chart should be consistent with our

seniority list projections on page 13 of my report.
Q On page 13 of your report for the US Airways pilots it projects 336 exits during the calendar year 2007?
A Right. But, since this chart on Exhibit B-18 starts in July 2006, to that 336 you have to add the number of pilots that attrited in essentially the second half of 2006, which I checked

with Greg Richter, the other actuary that worked on this, this morning, and we had eliminated 140 positions between 1 and 1-1-07.
Q So the total attrition for that 18-month period of time would be 140 plus 336?
A Right. 476, which is close, very close to the 500 that is showing.
Q For the panels's benefit our next witness will testify about the delivery schedule for the Embraers and there are 11 deliveries between -- well, by the end of the year 2007, and the staffing of five crews per airplane, that is 110 additional vacancies, when added to the ones, 110, what was the number you had, Mr. Power --
CHAIRMAN NICOLAU: 476.
BY MR. KATZ:
Q So that makes 586. So it is over the 569 that is required to get a recall notice to Mr. Varini.
Thank you for corroborating that exhibit,

Mr. Power.

A My pleasure.

MR. KATZ: The witness is available for cross-examination.

MR. FREUND: Again, I have a couple of preliminary questions and then I would like to take a break.

CHAIRMAN NICOLAU: Well, if there are only a couple then Mr. Power can stay there until later, okay?

MR. FREUND: Yes, I think he can stay there.

CROSS EXAMINATION

BY MR. FREUND:

Q Mr. Power, you made reference to the 1988 study that you did?

A Yes.

Q Do you have a copy of that study with you?

A I do. It is kind of marked up.

Q I wonder if we could have a copy of that to study during the break?

A I don't know how proprietary that information is. Is that the property of ALPA?

MR. KATZ: That would be the property of

the US Airways merger committee.

MR. FREUND: So I would ask again, I wonder if we could have a copy of the 1988 study.

MR. KATZ: Let me take a look at it and talk to my client's about it and let me know where you can be found to do the exchange.

MR. FREUND: I can be found on my cell phone.

MR. KATZ: Okay.

BY MR. FREUND:

Q In connection with that study or in connection with this study, did any of the data from the 1988 study, was any of the data from the 1988 study included within the data that is contained within your present study?

A Not in the final version. We did look at the 1988 study and we did some analysis back in the spring, but that was not used for this report.

Q You said that one of the pieces of material that you used for this study, this study being your current study, was a list of exits in 2006?

A Yes.

Q Is that right, that was supplied to you by the US Airways merger committee?

A Yes.

Q Do you have that list of exits as well?

A I do not. I did not bring that with me. I can, with the permission of the committee I can

provide it or they can provide it to you directly.
Bob, I think I got that directly from you.
MR. FREUND: I guess I can ask Dan this question. Was the list of exits fundamentally the document that was put into evidence yesterday?
MR. KATZ: Yes.
MR. FREUND: Well, let me be more precise. Was it the document that was put in evidence yesterday? I mean was the data identical to the document that is on that was introduced yesterday?
MR. KATZ: I would say it was fundamentally the same. The data that we put in yesterday I think was updated more recently than what was provided, and it has three more names on it than the 140 that were provided to Mr. Power and his

firm.
MR. FREUND: Just for the sake of completeness I guess I would like to get a copy of that as well.
MR. KATZ: Okay.
THE WITNESS: Is that the list that was already introduced?
MR. KATZ: I think he wants the list that was provided to you, with the 140 names on it. So, if we can track that down we will copy it up.
BY MR. FREUND:
Q And I assume you used a mortality table of one kind or another in connection with the study?

A Yes.
Q Can you just tell us what mortality table you used?
A It was the 1994 GAM table projected to 2006 by scale double A, and it is in the report.
Q Okay, sorry. The table isn't but the reference to the table?
A No.
MR. KATZ: The reference is in there.

BY MR. FREUND:
Q Then I think I maybe have one more preliminary question.
When I interrupted you, not when I interrupted you, when I interrupted Dan when you were testifying about Chart C retirement rates and I asked what the vertical axis was, you said those were probability numbers. Probability of retirement numbers?
A Right.
Q In percentage terms, I take it?
A No, I think these are just raw numbers.
MR. KATZ: Probabilities go from 0.0 to 1.0. Percentages are numbered differently.
BY MR. FREUND:
Q Well, but 1, am I understanding correctly, that from a probability basis from zero to 1, 1 is 100 percent probability and zero is 0 percent probability?

A Right.
Q Therefore .05 would be 5 percent probability?

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A Correct.
Q Okay. And then I guess the last question -- well, then, just flipping back to chart B, I assume those are just examples, I take it, of the banding exercise?
A Yes, we actually looked at quite a few more than this.
Q Right, the vertical axis is again the same in this one, it is probabilities?
A Correct.
Q And then I guess all of that leads to the question that I didn't really understand when you were talking about chart A.
You said that this was raw data, not probabilities. And so I wondered whether that vertical -- what the vertical axis was in chart A?
A Well, it is my understanding that it is still probabilities.
Q Well, your testimony was that chart A was raw data, not probabilities?
MR. KATZ: That is not what I heard. I heard him say it was raw data.

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BY MR. FREUND:

Q Well, we can go back and look at the transcript. I wrote down raw data, not probabilities, which is precisely why I asked this question.

A Well, it is -- it is raw data. Well, there is a slight distinction between what we call rates and what we call probabilities. The rates are kind of a preliminary version of the probabilities.

These were supposed to be just the incidence of attrition in the experience period divided by the exposures in the experience period.

Q So is it not probabilities that is on the vertical axis?

A I would call them rates.

Q And so the vertical axis in chart A is telling us something different. We can quarrel later on about what it is telling us, but it is telling us something different than the vertical axis in charts B and C?

A Yes.

Q Okay. Is there any other data that was

included, that you reviewed, that was included in your report that you haven't told us about?

A We got a lot of data.

Q I am sure you did.

A I don't recall using any other data for

the report. I can't say that with 100 percent certainty; I could contact Greg Richter, the principal architect of this report. He might have a better recollection than I do.

I think what is in this report are the final -- is the final date that we used to generate the probabilities.

Q What I am asking really is, if we were to ask another actuary to replicate your exercise, not that we are necessarily going to do that, in fact I think it is quite unlikely that we are going to do that, since as you know we think that this is an entirely meaningless exercise, but my question ultimately is, have you told us everything that you did and provided us with everything you used such that another actuary could replicate this exercise?

A Yes, this reports is self contained.

MR. FREUND: Okay. I think that is it for the moment.

CHAIRMAN NICOLAU: How much time do you need?

MR. FREUND: Well, I think I am going to need a little while.

CHAIRMAN NICOLAU: Yes.

MR. FREUND: The reason I am being hesitant about that is just looking at what time it is now, you know, I would say that I am going to need at least until noon, and so the question is how

we actually want to divvy up the rest of our time.

CHAIRMAN NICOLAU: Well, we are going to come back at noon and keep on going until 3:00.

MR. FREUND: That answers that question.

CHAIRMAN NICOLAU: Okay.

MR. FREUND: If I am available, let me get a number where I can reach you, and if I am either available sooner than that and --

CHAIRMAN NICOLAU: Call Dan and he will know where we are.

MR. FREUND: Good.

MR. KATZ: That is fine.

CHAIRMAN NICOLAU: See you then.

(Whereupon, at 10:50 a.m., the hearing was recessed, to be reconvened at 12:00 p.m. this same day.)

AFTERNOON SESSION (12:55 p.m.)

Whereupon,

EUGENE L. POWER

resumed the stand and, having been previously duly sworn, was examined and testified further as follows:

CHAIRMAN NICOLAU: When you are ready.

CROSS EXAMINATION (Resumed)

BY MR. FREUND:

Q I have got a couple of areas that I want to ask you about this afternoon, Mr. Power. I don't think we will be here until 3:00 with you, but you never know.

First and foremost, I am correct, am I not, that the seniority lists that you project out for the US Airways pilots for years after 2005, or 2000, wherever it is you started it, are premised on the notion that there was a company in existence at that time, correct?

A Yes.

Q And if US Airways disappeared or liquidated in 2005 there would be zero pilots on US

Airways seniority list, correct?

A There wouldn't be a seniority list.

Q Correct. I have got some methodology questions that I just need to get cleared up.

If you turn to page, I question I guess it is page number 9 of your report, I want to make sure I understand what we did. I think I do, but you have already told us that columns 4 and 5 are, the headings are reversed?

A Yes. I apologize.

Q If I understood your testimony correctly, and let me try to repeat it for you, and tell me if I am understanding correctly. Once you hit zero in the, I guess that is surviving fraction?

A Yes, column 6.

Q Once you hit zero in the surviving fraction you drop off the list when you look to the next year?

A Well, in fact anyone who shows a surviving fraction of less than 1 drops off the list, but that surviving fraction is shared. In other words, pilot number 2 there drops off, at 0.894.

Q We are going to come to that. That is my methodology question, so let's try to do it one step at a time. If you hit zero you drop off of list?

A Yes.

Q Because you haven't survived. So if you look across column, on that table, number 1 has dropped off the list when you go over, when you move from the left side -- when you move from column 1 to column 8?

A Yes.

Q Now, pilot 2 had a surviving fraction of 0.894, but you explained that you can't deal in fractions of pilots so you have to figure out how to deal with the issue. So what did you -- what did you add, how did you get to a zero for pilot number. 2 in order to remove pilot 2?

A Well, we told the program that if you see a surviving fraction of less than 1 eliminate that pilot, okay. But for that purpose the prior pilot surviving fraction carries over, so --

Q So what did the computer add and subtract in order to remove pilot 2?

A It just -- it added zero and 0.894 together, got 0.894, said that is less than 1; eliminate him.

Now, we didn't use the 0.894 for pilot 2, so that carries over to pilot 3. So we took 0.894 for pilot 2, 0.894 for pilot 3, added those together, got something around 1.8. That is greater than 1, so pilot 3 survives. We use 1 for him because 1 is integral survival.

So we take that 1.9, subtract one, and we

he get -- 1.8 and subtract 1 we get 0.8, that point 8 carries over to the next pilot. So we take 0.8, add it to 0.945, that comes out to roughly 1.8 or 1.7. That is greater than 1, pilot 4 survives. We take 1 off and we carry over the remainder to the next pilot. And the algorithm just steps down the list.

Q The consequence of that methodology, if I am understanding it correctly, is that it will always remove a more senior pilot than a less senior pilot, correct?

A Yes. And that is true for both those --

Q I am not interested in the America West list at the moment.

CHAIRMAN NICOLAU: Could I just ask something. Aren't 10 and 11 reversed on this chart.

THE WITNESS: Yes, it says 4 and 5.

CHAIRMAN NICOLAU: I just wanted to make sure.

THE WITNESS: I think when this was created, I think these probabilities are hypothetical just as the data is hypothetical.

BY MR. FREUND:

Q I understand that. I was just trying to understand the methodology.

A Yes.

Q And I thought that had the consequence, that methodology had the consequence of always

removing the more senior of the pilots?

A Yes.

MR. GILLEN: Is that really correct or is it the older of the pilots? Because even though most of the time you are looking at the older pilot being more senior, because this is an example, if

you ran a case like this, where say pilot number 2 was 56 years old and the several pilots behind him were actually older but junior to him, how would that affect that model?

THE WITNESS: Well, I think the point is that it is going to remove the first pilot that has a survival fraction of less than 1, regardless of the age.

MR. GILLEN: Of the age.

THE WITNESS: Yes.

MR. KATZ: It is going down the seniority list in seniority order.

BY MR. FREUND:

Q So the net result is, regardless of age, regardless of really anything else, the most senior pilot who gets to a 1 is going to disappear off the list?

A If it is less than 1.

Q These are all pilots who are, again I understand this is hypothetical data here, but these are all, anything in this hypothetical pool and for that matter in the real pool, that is something

other than an age 60 retirement is, I am going to use a word that you are going to take issue with, and I don't mean it in a mathematical sense but it is a random, more of a random retirement than -- a random exit than a structural exit, correct?

A Well, to the extent that it is -- in the case of early retirement and some terminations they are discretionary, then, yes.

Q The probability of retirement, I don't want to use the word retirement, the probability of exiting the list at something less than age 60 is a, could have been spread -- it doesn't matter where on the list some somebody comes off of in order to satisfy the probability demands of your model, correct?

A I don't understand the question.

Q Okay. Well, I don't blame you because it was a bad question.

You know when somebody comes off the list when he turns age 60 because he turns age 60 and there is a fixed date for that. All of the other pre-age-60 departures from the list are for, in a

real-world sense, unplanned and indeterminate, that is, you don't know whether somebody who is age 59 is

going to hit by a bus or whether somebody age 35 is going to get hit by a bus; right?

A That is right. The terminology in actuarial science is, it is a probabilistic event.

Q And every one of those exits from the list that are not age 60 exits are probabilistic events; correct?

A Right.

Q So not that one would expect it to happen in the real world but in any given year when you calculate the probable number of exits from the list that are not age 60 exits, those exits could come from the bottom, from the very bottom of the seniority list, from the middle of the seniority list or the top of the seniority list, correct?

A Are you asking me if that is a possibility?

Q Yes.

A Yes, it is a possibility.

Q And in order to account for that

possibility one could have done a somewhat different analysis than the analysis that you did, namely determine the probabilities of a less than -- determine the probable number of less-than-age-60 exits from the seniority list in any given year, and distribute them across the seniority list on the basis of say, for example, a random number program selecting the numbers at random that disappeared off

the list, correct?

A We could have done that and we actually discussed that, and I believe I addressed it in the testimony this morning. We actually did consider a random.

We considered several approaches, one of them as being a random approach, and I think I said this morning that my feeling is that a random approach probably lends itself better to some sort of Monte Carlo-type simulations, where a lot of different trials are run, many, many trials are run.

It seems to me that if that were done we would just be going right around in a circle and we would be coming around to the fact that of all the

51-year olds sprinkled over the entire seniority list there is an equal probability under a model that they are going to attrit.

So we dismissed that. We wanted something, we wanted a model, we wanted an algorithm that would match up with a valuation that was done on an aggregate basis where we did deal with fractions of people and this model did this, and we felt as long as we applied it on an unbiased basis to both groups we felt it was a reasonable approach to take.

Q Well, before I ask sort of a conclusory question in what I expect is a series of questions, there were other options that you could have chosen

as well.

You talked to us about age banding, you could have done random distributions within the age bands as well, correct?

A Yes.

Q Any other approach other than the one that you took would have resulted in pushing further down the seniority list pre-age-60 exits, correct?

A Probably.

Q It would have had to, wouldn't it?

A Yes.

Q Because yours is the most extreme in pushing the pre-age-60 exits up the list, correct?

A Yes.

Q There is nothing more you could do to push the pre-age 60 up the list any higher than the methodology you used?

A Yes, since we started stepping down from the top of the list that would be a logical conclusion.

Q And not that I care particularly about the America West side of the list, but if I understand your analysis correctly, you used the same -- well obviously in terms of the age 60s, age 60 is age 60, that is not a probabilistic exercise but you used the same probabilistic analysis calculations data that you used on the USAir -- that you ascertained from the US Airways side on the America West list,

correct?

A Yes.

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Q Small point, I am moving on to a small point. You said that with respect to medicals, long-term medicals, you said that you would have expected -- you didn't -- they create all kinds of analytical difficulties because of the way in which pilots on long-term medical remain on the seniority list and may remain on the seniority list for long periods of time even though they never hold a line position. But you said that you would expect that pilots on long term medical would remain relatively constant over time?

A As their proportion of the remaining group, yes.

Q As their proportion of the remaining group.

So I don't know if you have in front of you the book or someone can give you book B?

MR. KATZ: Any particular exhibit, Jeff?

BY MR. FREUND:

Q Yes. Well, start with Exhibit 1. I don't know if you have seen this exhibit before?

A I have not.

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Q Or the data on it, but I will identify for

you that it has been identified by the US Airways pilots as a snapshot of various employment circumstances on US Airways, and for that matter America West, but for the moment we will look at US Airways, as of May 19th, 2005 it allocates jobs in a variety of different ways. You can see in sort of the upper left-hand corner there are flying jobs and then there is a box that says nonflying jobs, do you see that?

A Yes.

Q And I will just represent to you that -- then at the very bottom on the left it shows the grand total of US Airways jobs on this snapshot of 5098, do you see that?

CHAIRMAN NICOLAU: You said the grand total of jobs --

BY MR. FREUND:

Q Grand total of bodies?

A Entries on the seniority list.

Q Entries on the seniority list. Putting aside the quarrel we have about the number, which is

nothing you have to concern yourself about?

A Good.

Q You see in the box there under nonflying jobs NED?

A Yes.

Q I will just represent to you that those are purported to be, and we don't have any quarrel

with the notion, that those are pilots on the seniority on long-term medical, 366 out of the 5098.

If you now jump forward please to tab 11, I will just represent, and you haven't seen this either before I assume, correct?

A I -- well, I haven't seen this exhibit, no. I mean, I may have seen some raw data, yes.

Q So I will just represent to you that it mirrors Exhibit Number 1 that we previously looked at, except that it is a July 1st, 2006 snapshot of the two airlines, or of the bodies on the seniority list, and an allocation of jobs and positions, and I would observe that you will see that the total bodies on the list is 4951?

A Uh-huh.

Q And the total medicals are 400, do you see that?

A Yes.

Q Is that consistent or inconsistent with your observation that the number of medicals would remain relatively constant?

A Obviously the number of -- both in absolute terms and in proportion the number of medicals has increased between May 19th, 2005 and July 1st of 2006.

Q All right.

A As has the total of nonflying jobs.

Q I guess while that is right, that is

absolutely correct. I don't know that it bears on anything that is part of your testimony but the largest increase after the increase in medical appears to be pilots who have retired?

A Well, I mean we are talking about a 7 percent medical proportion on May 19th, 2005 and talking about an 8 percent medical proportion in July of 2006. It -- they are very close. It could be just an anomaly blip in the data.

Q I am just wondering if that is consistent or inconsistent with your observation and belief that medicals would stay the same relatively speaking over the passage of time?

A I would say if this pattern continued over a number of years then it would be inconsistent with my theory.

Q Would you agree with the proposition that with respect to exits of pilots from a seniority list prior to their turning age 60, pilot turnover, there would be relatively little pilot turnover short of a major change in the nature of the industry or some unexpected labor turmoil?

A I can't really, I can't hypothesize in that way. I mean I will say that based upon the data that I have seen relative to other industries the turnover is there light, although you don't normally have mandatory retirement at age 60 in most other industries.

Q I understand. So putting age 60 retirement aside, which at least as we sit here today is the mandatory retirement, that there is

relatively little pilot turnover and that short of a major change in the nature of the industry or some unexpected labor turmoil one would expect that to continue?

A I would agree with the first part of your statement. I can't venture an opinion on the second part. I can't hypothesize what events might cause increased pilot turnover.

Q Well, you told us you were the author of Frank B. Hall Consulting Company in 1988, correct?

A I was one of the authors, yes.

Q You stand by what was contained in that document in that analysis?

A I do.

Q So on the very first page of text I am just going to read the following words to you and ask you if you agree with them. US Airways -- USAir, as is generally true of other commercial airlines, experiences little pilot turnover prior to age 50, which is not medically related. Short of a major change in the nature of the industry or some unexpected labor turmoil at USAir, it is reasonable

to assume that this will continue. Do you remember saying that in 1988?

A I don't remember it but if you read it to me from that I must have said it, yes.

Q Why don't I pass out what will be -- I am sorry, during the break we didn't have time to make enough copies nor do we have time to make a copy of the full document, but we will produce the full document and substitute it when we come back next week and Dan, I assume you have a working copy of this to work with --

MR. KATZ: I don't have one here.

MR. FREUND: Well, I don't know what to do for you. Somebody had one here because they gave me a copy.

MR. KATZ: Well, it is in the hotel but it is not in this room.

MR. FREUND: I see. Well, I don't have a copy for you.

MR. KATZ: Then I am going to object to any questions about it.

MR. FREUND: We will be glad to take a

little recess and have you go get a copy.

MR. KATZ: I will share with the witness.

BY MR. FREUND:

Q Is that the cover of your study?

A I believe so.

Q And I direct your attention to the first paragraph on page 3 of the study, and just ask you if I read it correctly?

A Yes, I believe you did. I just don't know if this language was necessarily intended to preclude -- I am not trying to be difficult about this, but something else could happen that could cause a change, for instance a 9-11 can cause substantial changes in the work force.

I am not trying to be difficult. I am just saying that I couldn't -- there is a lot of things that could have happened that could have -- that could change the situation in the future. That is the only point I make.

Q Sure, and in fact I think isn't that what you were saying in 1988?

A Yes.

Q That there are -- that absent a lot of things which you have just encapsulated in a couple of words in this text, which says, the words being a major change in the nature of the industry or some unexpected labor turmoil, I assume that was intended to encapsulate all kinds of things --

A Yes.

Q -- which might be expected or might result in a change in the circumstances under which someone exits the airline industry prior to age, you said age 50, but prior to mandatory retirement, correct?

A Yes.
Q And those things could be something like 9-11, correct?
A Yes.
Q And they could be a pilot's or a group of pilots perception about the stability of their company on a long-term basis, correct?
A I suppose so yes.
Q It could be the fact of their company being in bankruptcy, correct?
A Yes.

Q It could be their perception of the consequence of a failed merger with another carrier, correct?
A Yes.
Q It could be the consequence of worsened or degraded working conditions at their carrier, correct?
A Yes.
Q And it could be the consequence, this could be a consequence of the rejection or the renegotiation of their collective bargaining agreement in the context of the bankruptcy process, correct?
A Yes.
Q It could be a consequence of being placed on furlough when at some other point in the history neither they nor any of their colleagues were on

furlough?

A Yes.

Q All of those could be expected to be reasons why your -- why relatively -- why little pilot turnover prior to age 50 or age 60, not

medically related, might change, correct?

A But all of the things that you listed there would be likely to increase the attrition.

Q Yes. That is correct. They would be likely to increase the attrition, wouldn't they?

A Yes.

Q Okay. So, are you aware that all of the things that I described in fact occurred vis-a-vis your client US Airways pilots during the period 2000 to 2006?

A I guess I was aware that the airline experienced some economic difficulties as many airlines in the industry.

Q Well, to be precise you were aware that they were in bankruptcy on two separate occasions?

A Yes, I was.

Q You were aware of the fact that pilots, US Airways pilots wages were significantly degraded during that period of time?

A I was not aware of that.

Q Were you aware of the fact that their working conditions were significantly degraded

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during that time?

A No, I was not.

Q You were aware obviously of 9-11 that doesn't just affect US Airways pilots but affected everybody?

A Yes.

Q You were aware of the fact that there was an effort to merge with United Airlines which failed?

A Yes, I was peripherally aware of that, yes.

Q You were aware of the fact that significant numbers of US Airways pilots were for the first time put on furlough for significant periods of time?

A Only to the extent that I saw how many were on the furlough list when we received it.

Q You didn't include any language, any qualifying language in your report in this case of the kind that you included in your 1988 report, correct?

A Uh --

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Q You can look through it.

A Well, on the forward here I did say in the last sentence, the assumptions are reasonable individually and in the aggregate represent our best

estimates of future experience.

Q Well, quite right. You didn't say, you didn't follow that up by saying anything at all about the contextual nature of the events of 2000 and 2006, did you?

A Well, I mean can you promise me beyond an unequivocal doubt that economic conditions won't revisit themselves over the prediction period?

Q I can't promise you anything. My point is you didn't make any reference to the contextual nature of your analysis, did you?

A No.

Q Okay. Is it correct, returning to the question of retirement, would you say that it is correct that retirement probabilities which are a function of a pilot's attitudes and the early retirement provisions of a pension plan -- well, let me rephrase that, that retirement probabilities are

a function of pilot attitudes and early retirement provisions of the pension plan?

A Yes.

Q Do you know whether there are any early retirement provisions in the current US Airways pension plan?

A I do not.

Q When you refer to early retirement provisions in what you just agreed with me on, I take it you mean things like early retirement

incentives or lump sum payment opportunities and the like?

A Not necessarily.

Q Well, tell me what you mean then?

A Well, it could be anything, any departure from employment, in this case after age 50, where either an annuity or lump sum payment or some series of payments would inure in a qualified retirement plan or nonqualified retirement plan.

Q Something that might encourage someone, some economic benefit built into the retirement plan that might encourage a pilot to retire prior to

turning age 60?

A Or to give them the wherewithal necessary to retire.

Q Right, when I say encourage that is really what I mean, a pot of money described in some particular way that is derived from the pension plan which prior to age 60 gives one or more pilots a view that they can retire without having to wait to age 60, correct?

A Yes.

Q Would it be fair to say that a pilot's perception that his or her pension plan might come under attack and be terminated at some point in the not too distant future might encourage a pilot to retire early so as to try to avoid the adverse consequences of that termination?

A Would you ask that question again.
Q I don't think I can.
A I just want to make sure I understood the question exactly.
Q Well, when you say that it means that you are looking for a way to try to trap me by my on

question, so I am going to ask the question differently.

Would it be fair to say that in your judgment that a pilot looking at the condition of his airline and the possible risk that his pension plan might be terminated or might be taken over by the PBGC or might be frozen or that any number of things might happen, might choose to leave the company before that happened, not withstanding that was not age 60?

A That is possible, but it is a very -- it is a very complex question. Because just because the pension plan is taken over by the PBGC does not necessarily mean that a pilot would lose any of his accrued and vested pension. Yes, it is true that a person in retirement is in a higher category when the PBGC does its asset allocation methodology, but you have to combine that status, whether it is eligible for early retirement and not yet early retired versus actually early retired and in payment status.

You have to compare that against assets --

against the assets in the plan and how far down into the category levels the assets will prevail. So it is a little bit more complicated than just looking at the future and saying, well, if I don't retire now I may lose some or all of my pension, it is how many assets are there standing behind that pension.

Q Oh, sure. But even within that analysis as you describe, being in pay status is a higher, you are in a higher, more protected position than if you are not in pay status, correct?

A You are correct.

Q Okay, and indeed even beyond that if the pension plan has, that you are presently sitting with, has lump sum payout provisions wouldn't it be certainly a possibility and indeed perhaps a reasonable possibility that a pilot might conclude that leaving, with leaving service before age 60, to take the benefit of a lump sum payment is highly preferable to the risk of planned term plan termination?

A Yes, that is true, but there are some restrictions on taking a lump sum running and then

terminating the plan. So there is some recoupment and I can't remember where the lines are drawn, but

under ERISA there is some recoupment for some people that take a lump sum in anticipation of planned termination.

Q So if a pilot knew ERISA, maybe he wouldn't, he or she wouldn't think quite the same way but on the assumption that perhaps they are not an expert in ERISA and on the way in which the PBGC works, wouldn't it be reasonable that pilots who had access to lump sum distributions leaving before age 60 to take a lump sum distribution rather than risking plan termination?

A That would be possible, yes.

Q And I am sure you read at least or heard about the difficulties that Delta airlines had with its older more senior pilots who were flying certain pieces of equipment leaving in droves to take lump sum payments and Delta being required to figure out a way to get them back?

A I had read that yes.

Q That is sort of a, kind of the classic

demonstration of the principle that you and I were just talking about, correct?

A Correct.

Q I want to go back to your report for a moment, please. Would you turn to page 4, please, of your report. We talked a little bit about this chart before we broke for lunch, and I think we ultimately, after some head scratching, concluded

that this is in fact a raw data chart, not a probabilities chart?

A I am -- I still don't fully understand the distinction. This is the number of attritions in the year divided by the exposures expressed as a decimal in the left hand. So for example, at age 30 it looks like we have about a 0.03 attrition rate.

The distinction between a rate and a probability is a nuance. A rate is usually used to refer to, it is kind of a teenage probability, it is a raw probability, it is a preliminary probability.

Q Is it more like -- is it close to being able to say, for example, let's stay with your age 30 pilot, that the expectation is that 0.03, is 3

percent, that is how it would be expressed in percentage terms?

A Yes.

Q That one would expect 3 percent of age 30 pilots to exit in any particular year or years?

A I think this is an aggregate rate over the experience period.

Q Okay, so over the experience period?

A Right.

Q 2000 to 2006 --

A 5.

Q 5. The experience reflected a 3 percent attrition rate for pilots who were age 30?

A Yes.

Q So why don't you turn to the last of the four pages that I distributed as an exhibit from your 1988 report, and can you tell me what this reflects?

A Well, quite honestly looking at it I would surmise that this means that after we had developed the probabilities of attrition we applied those to the number of active pilots starting each of the

calendar years and we came up with an integral number of decrements.

Q We are looking at the same piece of paper?

MR. KATZ: No.

MR. FREUND: Which one are you looking at?

MR. KATZ: Last page.

MR. FREUND: No, no, I am sorry. Flip back one page, I apologize.

CHAIRMAN NICOLAU: The chart?

BY MR. FREUND:

Q The chart, correct, aggregate attrition per 1000, lives versus age.

A I can't tell from this chart whether this was based on raw data or based on expected probabilities.

Q Well, I don't really mean to -- I don't want to mislead you or have you mislead us so I am just going to give you the whole report. And you might start reading at page 15, which is the page just prior to the chart, and after you read it and

read the next couple of pages then if you could pass it back to me, I would appreciate it.

Why don't I just say the following and ask you if you remember if it is correct and if you don't remember if it is correct you can look at it and tell me if it is correct, but just to put this all in context, you did that report, the 1988 report, somewhat differently if I understood it correctly, you looked separately at different kinds of exit experiences and then ultimately came to an aggregate exit experience section which is the section that I am inviting you to look at. Does that sound right?

A That is consistent with my memory, yes.

Q Okay, so the part that I am having you look at, and again we will get the whole report to the panel first thing on Monday, but the part that I am having you look at is the aggregate section which aggregates all of the exits, exit analysis that you did that leads up to it; is that correct?

A Yes, and it looks like their chart parallels this table H. This looks like just a graphical rendition of table H, which these are the theoretical total attrition rates for each of the

ages.

Q And that is the rough equivalent of page 4 in the current report?
A No.
Q Can you explain the difference to us, please?
A This is based upon the raw data. This is -- the graph and the data in table H are after the raw data was smoothed and analyzed and refined.
Q I see, okay.
Okay. Why don't you pass me that back.
So, aside from being smoothed, analyzed and refined, and I don't mean to undercut the significance of smoothing, analyzing and refining, the document that you were just looking at, the study from 1988, was, that was sort of the prediction of retirement, of exit probabilities based on the data that you actually reviewed in 1988?
A Yes.
Q And the chart on page 4 of your report for this exercise is that, albeit it in an unrefined

fashion, that is it reflects the actual raw data of exits prior to and really up to ultimately age 60, for the time period that you studied, correct?
A Yes.
Q And this raw data ultimately gets smoothed and forms the basis for your predictions about the retirements from the, the exits from the US Airways

seniority list just in the same way that your smoothed and analyzed data formed the basis for your prediction about exits from the US Airways seniority list in 1988, right?

A That is correct.

Q And it is fair to say, is it not, that the data on which you based your 1988 prediction, or I will put it another way, your 1988 prediction about the rate of exits from the seniority list produced a significantly different picture of the future expected exits from the US Airways seniority list when you did it in 1988 than it does when you did it in 2006, correct?

A I guess it really depends. I hate to sound like Bill Clinton, but it kind of depends on

how you define significantly. We are talking about a very small number, especially age 50, a difference between a 1 percent rate of attrition and 1-1/2, is that significant, relativistically it is significant.

In absolute terms or number of bodies it probably isn't significant. So again I testified this morning, pre-age 50 we are talking about some very, very small numbers of exits.

Q Well, but in your report both then and now we are talking about the whole range of exits, correct?

A Yes.

Q So I need you to look at page 13 of your report to us, please. Page 13 of your report to us reflects the number of exits and the declining size of the seniority list, the US Airways stand alone seniority list for a 17-year period 2007 to 2023, correct?

A I think it is 16 years, but yes.

Q Yes, you are starting with year one and then 16 years after?

A Yes.

Q Do you have a calculator handy?

A Yes.

Q Can you tell us, what, based on -- this table C is really sort of a culmination of all of the analysis that went into your report, correct?

A You are correct.

Q That in turn filters its way into the seniority lists that are attached to your report, correct?

A Well, actually the whole -- actually it would be more correct in saying that the probabilities on table A are the ones that actually go into the calculation but the two are linked, yes.

Q Linked, okay. So let's just do, let's figure out what the remaining percentage of US Airways pilots on the seniority list is in 2023 as against your starting number. Which was 4689, correct?

A Yes. Just under 16 percent, 15.9 percent.
Q Okay, now you did a similar analysis in 1988, correct?

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A I don't recall.
Q Well, now let's look at the last page of the exhibit that I passed out to you, correct?
A Yes.
Q Doesn't that show projected number of pilots in active service year by year starting from 1987?
A Yes.
Q Just to refresh your recollection, that 2680 was a calculated number, as I -- no, the 2680 wasn't the calculated number but you did your study based on a smaller number of pilots and then ultimately projected your study to what that actual population was at the time. Does that sound familiar to you? Doesn't matter if you don't remember?
A If I just could add something though here, it is important to note one important distinction here that in the 1988 study we were looking at only active pilots, whereas as we have discussed here we kept the medical leave pilots on the seniority list. So there is a -- there is a bit of a difference

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there, but I am sorry, go ahead.

Q That is fine, because it was active at each step of the way, correct, that is in -- it was done consistently in each year in both studies, that is to say they were either on for every year or off for every year in both studies?

A The separate studies are internally consistent.

Q Are internally consistent?

A Yes.

Q Let's just do the same math if we could, please. I count 16 years or 17 years, however, you want to say it from 1987 to be 2004, is that right?

A That is right, yes.

Q Okay, and what is the percentage, what percentage of the pilot work force did you predict would be remaining in 2004 when you did your 1988 study?

A 44.5 percent.

Q And that 44.5 percent is the number comparable to the 16 percent that you projected in your present study, correct?

A Right. But the '88 study indicates the age distribution of the pilots back then. I would suspect that --

Q I believe it really does.

A -- they were probably a younger group

then.

Q Well, US Airways has been around since 1939 so don't you think about 1988 the age distribution was probably pretty close to the same?

A I couldn't assume that. I thought I had remembered seeing some average ages in that report.

Q Well, we will take a look for that during the break.

A Okay.

Q The period of time in '88 study that you looked at was the period of time prior to '88, correct?

A Yes, if my memory serves I think we were looking at 10 years of data.

Q Sitting here today as you sit at this table do you remember whether in any of those 10 years of data there were bankruptcies at US Airways,

furloughs at US Airways, degradation of pilot contracts at US Airways, anything of that nature?

A I don't recall. I have trouble remembering where I put my keys.

Q You and me both. And sitting here today do you have any reason to believe that the events of the last six years, that is to say the events that you studied, the events that occurred during the years that you studied for your report, namely two bankruptcies, a near liquidation, degradation of pilot contracts, adverse effect on working

conditions, September 11th, threatened termination of pension plans, do you have any reason to believe that over the course of the next 10 years or 20 years any of those things will in fact occur at the new US Airways?

A I don't think there is anyone that can say what will happen in that time.

Q Could we take a couple-minutes Thank you? I may be done.

CHAIRMAN NICOLAU: Okay.

(1:58 p.m. -- recess -- 2:07 p.m.)

CHAIRMAN NICOLAU: Let's go.

MR. FREUND: I have nothing further for this witness.

CHAIRMAN NICOLAU: Thank you. Any questions?

MR. KATZ: Yes, I have a few questions to clarify a couple things. Let's see if I can read my notes here.

REDIRECT EXAMINATION

BY MR. KATZ:

Q On cross-examination, Mr. Power, opposing counsel asked you about the methodology for going down the seniority list and accruing this fraction until you clicked over to 1, and then knocking that person out and continuing on down. I wanted to ask you one or two questions about that methodology?

A All right.

Q If -- let me ask it this way. To the extent that the older people are tending to be towards the senior end of the seniority list, doesn't it have a certain logic to use the methodology that you did, because what you are --

MR. FREUND: I guess I would object to Dan asking leading questions of an expert.

BY MR. KATZ:

Q I will ask it a different way. Does the fact that --

MR. FREUND: When you start a question with does the fact that, it is a leading question.

MR. KATZ: Why don't we listen to the question, please.

CHAIRMAN NICOLAU: Okay.

BY MR. KATZ:

Q Was there a reason you chose the methodology that you did --

MR. FREUND: That didn't start with the does the fact --

THE WITNESS: Yes.

BY MR. KATZ:

Q Would you explain to the panel, please, what that reason was?

A As someone had noted before there is a strong correlation between age and seniority number. It doesn't hold true in every situation but it is

usually true that the older the pilot the lower the seniority number. So we felt this was the fairest way to, since the attrition increases with age we felt that this was the fairest way to represent the individuals leaving the list.

Q And to the extent that we are trying to use your analysis to study when Mr. Varini, the junior pilot on the list, will come back to work --

A This exercise here?

Q Yes. What is the impact of choosing one methodology for attriting people out over another?

A I really don't think it -- when you look on the seniority list as a whole, I don't think it will make much of a difference. I don't think any one method is going to take a clump of pilots off the bottom or a clump of pilots off the top, I think any reasonable methodology that you use is going to sprinkle the attrition over the entirety of the list.

So I think the methodology illustrated on page 9 does that, albeit if you look at a short burst of attrition, yes, it is true that the

seniority number in that short interval will generally be the higher seniority number that is leaving.

Q Thank you. Mr. Freund asked you about

Exhibit B-1 and B-11, and I will remind you that they showed, I think you pointed out, 366 medicals that the US Airways -- on May 19th, 2005, and 400 on July 1, 2006. Do you view that change as surprising?

A No. No I --

Q Would you explain?

A Well, I think in a relatively -- I know that 4- or 5000 pilots sounds like a large number but it is not a big number when you are talking about, you know, generating these probabilities, and I think you are going to see some short-term variations like this. I think you have to look over a much longer period of time to draw any trending conclusions.

Q I think you testified on cross-examination that there was approximately a 1 percent difference between those numbers of medicals. I have heard a

term used in statistics, confidence intervals?

A Uh-huh.

Q And sometimes you see these examples in the paper about something or other, some poll, plus or minus 2 percent. Does that have anything to do with whether this is a significant difference or not?

A Well, not really. I mean usually when they talk about confidence intervals the poll is accurate plus or minus 3 percent. What they are

usually talking there about is a distribution of answers that they got from a certain population.

How you would apply that concept I think to this situation is if you had multiple years of disability and you came up with multiple years of percentages, and you mapped a distribution there and then you would have a mean of those distributions, and then the distributions would fall off from that mean.

And, years in which the percentages fell outside a certain range from the mean would, you know, generally would be what we call our outliers,

and we would say something like in 95 percent of the years our probability will fall within two standard deviations of the mean of the data. That is generally what you talk about when you talk about those kinds of confidence intervals.

Q I appreciate the education on that, but that doesn't have anything to do with this distribution of medical things, does it?

A Not really.

Q But now I do remember that term.

Let me ask you about the numbers, you know. Jeffrey spent a lot of time going through these traumatic events, and I would like to see if you have any view about whether any differences that appear on the surface of the Frank B. Hall study and the current study could be the result of those

traumatic events in the airline industry and in particular at US Airways that he mentioned. Could you enlighten on that subject?

A Well, I mean I think we glossed over one very important detail and that was that in the 1988 study the age of the pilot group studied was

substantially younger than the groups of pilots that we are looking at in the 2006 study. We didn't have exact figures but we calculated the rough age from the histogram of ages that was shown in the 1988 study, and I have come up with an age of around 41.8 for the active USAir pilots.

Q What was the average age for all of the USAir pilots, active and inactive, in your studies, would you remind us, please?

A If you turn back to page 11, these were the averages in our data analysis, for the USAir pilots including the furloughs it was 50.1, so 8.3 years older for the non-furloughs. The actives, which would be a more fair comparison, because the '88 study was done exclusively on the active pilots, the difference, that average in the 2006 study was 53.3. So 53.3 minus 41.8 is, that is 11.5 years age difference. And for the America West pilots it is 46.3, so 46.3 minus 41.8 that is 4.5 years difference.

And as we have seen, attrition is highly sensitive to age. So I guess I am not surprised

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that the pilot group in the 2006 study is exiting faster than was the case back in 1988. And, quite frankly, I think, my sense is that most of the attrition difference would be due to age. It certainly could be some differences due to economic context. I don't know how you measure that.

Q Mr. Power, I think what opposing counsel had you do to this calculation was go out 17 years on the US Airways data and calculate the percentage left and that turned out to be 15.9 percent, as I recall?

A Uh-huh. Yes.

Q And then he compared that to the 1988 study and the different population there was 44.5 percent as I recall?

A Yes.

Q But we have one other statistic that we may as well put on the record, and that is the America West pilots who were a different age than the USAir pilots but had the same factors applied to them in terms of decrement?

A Yes.

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Q And can you tell us what the percentage remaining was after the 17 years there?

A That was 33.5 percent.

Q So 33.5 percent is much closer to 44.5 percent, isn't it?

A Yes, and again, we talked about the America West pilots being 4.5 years older than the pilots in the -- the active pilots in the 1988 study.

Q So are you still confident that the current study is accurate and the methodology sound?

A Yes, I am. It is the best estimate that I can perform without unsubstantiated conjecture as to the effects of unmeasurable causes.

MR. KATZ: Thank you, Mr. Power.

RECROSS EXAMINATION

BY MR. FREUND:

Q Just a couple of questions.

This first one, just so I know what you did, when you said you made your age estimate in 1988 from the histogram, do you mean from this graph?

A Yes, sir.

Q So those are just, those are showing, I don't know if that is the right term, but those are showing age bandings, correct, I mean in 10-year increments?

A Yes. Again, admittedly it is not an exact calculation because I don't think we had time to do an exact calculation, but we just took the midpoint

that age band ascribes, so it is an age band in the 40s, we used 45 as the average over that age band and we took an average based on --

Q I am sure during the recess we are going to take out our calculators, I don't mean the recess today but over the course of the next several days, and look in the one page earlier in the '88 study where you actually have all the pages year by year?

A Yes, we can do it a little more accurately.

Q We can do it a little more accurately. What you are telling us is that you are confident the difference between a remaining percentage of 16 percent and 45 percent as between the two

studies, 1988 versus 2006, is driven largely, if not exclusively, by age?

A Well, to be confident I would have to do more analysis, but, you know, a preliminary view of the data would certainly lean towards that conclusion.

Q One could have done the study that you did just on non-age-60 retirements, correct, and then one would have known both from 1988 and 2006 what the percentage and/or the probabilities of non-age-60 retirement, non-age 60 exits would have been; correct?

A Yes.

Q Okay. And by the way, all of your

analysis is consigned to the trash heap of history if age 60 becomes age 65, correct?

A Correct.

MR. FREUND: That's all I have got.

CHAIRMAN NICOLAU: Dan?

MR. KATZ: Nothing further.

Thank you, Mr. Power.

THE WITNESS: Thank you.

MR. FREUND: I guess just so we can just have a record match up with pieces of paper, I have distributed four pages from the 1988 report and on Monday I will distribute for the panel the whole 1988 report. And I suppose we ought to just -- I have previously passed out an empty volume called cross-examination, America West pilot's cross-examination exhibits.

It was empty and it had tabs with letters in them, and I think we ought to just store this under tab A and it will be referred to on the record as tab A.

CHAIRMAN NICOLAU: Okay, I marked it as America West Exhibit 1 but if you want me to do something else with it --

MR. FREUND: Since we already went through the hassle of having books and tabs and letters why don't we call it in Exhibit A.

CHAIRMAN NICOLAU: In the hope that we will have more books I will be able to do that.

MR. BRUCIA: Jeffrey, the excerpt will be A or the entire document?

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MR. FREUND: I will substitute the entire document on Monday.

CHAIRMAN NICOLAU: Mr. Katz?

MR. KATZ: We have another witness. We would like to call Bruce Beighlie to the stand, please.

Whereupon,

BRUCE BEIGHLIE

was called as a witness and, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KATZ:

Q Would you state your name and residence for the record please?

A Yes, the name is Bruce, middle initial A, last name Beighlie, B-e-i-g-h-l-i-e, Graysonville, Maryland.

Q Would you state your employment, please?

A I am a captain at US Airways, Airbus 319, 320 and 321 based in Philadelphia.

Q How long have you been employed by US Airways or its predecessor carriers?

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A April of 1981 at US Airways, November of

'79 at Pennsylvania Airlines, an Allegheny commuter.

Q And were those two different employers?

A Yes.

Q Allegheny commuter and USAir?

A Yes.

Q At US Airways you applied for a job and started at the bottom of the seniority list?

A Yes.

Q So you didn't flow up or anything like that?

A No, no. I was a new hire.

Q It wasn't possible to do that in those days was it?

A No, no it wasn't.

Q Captain Beighlie, have you been involved in any ALPA activities over the course of the years you have been with US Airways?

A The entire time.

Q Would you describe some of those for us, please?

A Basically all in the bid closing area,

either monthly schedules, and then taking those monthly schedules by hand-process, having it evolve into a computerized process, and then the equipment awards and permanent base awards from a hand process through the automated process which I am involved with now.

Q Has the MEC appointed to you a particular

position that you hold now?

A Yes, I am chairman of the permanent base bid closing committee.

Q Base bid closing committee?

A Right.

Q Can you describe in general terms what the duties of that position are?

A It is generally to oversee the company in its application of the staffing, more to correct the company's, or make an attempt to correct the company's, inadequate staffing. It is more of an oversight and working with the company in trying to get the bids out.

Q Is that a constant struggle?

A Uphill; I started with hair.

MR. GILLEN: Is the manpower more so than the scheduling?

THE WITNESS: Well, no, today's job description would be making sure that all the jobs, all the positions are correctly filled per the contract.

BY MR. KATZ:

Q Has that evolved from prior days?

A No, that is pretty much what it has been as far as the permanent bids are concerned, making sure that the company complies with the contract in filling the jobs.

Q Do you make regular reports to the MEC on

how things are going in this area?

A Yes, I do.

Q And for the purpose of making these reports and otherwise performing your duties, do you also stay in touch with management on these subjects?

A On a regular basis.

Q How frequently are you talking to people in management about issues like furlough -- recalls

from furloughs and in the days when there weren't people on furlough, hiring?

A I would say anywhere from a couple of times a week to no less than a couple times a month.

Q Can you tell us what the latest word is from management with regard to the plans for recalls, Captain -- well, go ahead, leave it at that?

A Well, the company is targeting and very concerned about the ensuing summer flying. We have a considerable amount of block hours added in the summertime, and they want to ensure finally that they are preloaded, front-loaded to take care of the additional block hours and positions that will occur for the summer. And that is the big topic in today's discussions.

Q And are there additional European destinations that are being initiated?

A Yes, they would like to add Athens, Zurich

and Brussels.

Q And what airplane would they be flown with, do you?

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A No. I think the only thing that can make it to Athens is the 330 and then I presume it will be the 76 on the other two.

Q And has that led to management telling you anything about the plans for training, recalling, hiring, anything?

A Yes. The push now is to get the training department to be able to handle the capacity of the additional block hours and positions. And the additional block hours will be as a result of what marketing comes down with, but the positions will be dependent upon attrition and block hours. Those two drive vacancies that we have to fill in the bidding process.

Q You talked about the resources at the training department?

A Uh-huh.

Q What is entailed in getting the resources of the training department?

A Well, the company was really -- the people I deal with in the company are the resource planning people basically. And the resource planning people

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were very concerned that the training department wasn't going to get a large enough budget to be able to handle the throughput, the number of pilots they can get through the schoolhouse.

And they were pleased a couple -- about a month ago now, that the training department got the budget. They have -- now are implementing the plan to increase the throughput of the training department because resource planning needs to have all these positions filled by the summertime, and in order to do that they need to start the training now which means they need to get the training department larger.

Q So by the budget, I guess that means assigning people to work in the training department?

A Yes, yes, more ground school instructors, more simulator instructors, the ability to put more people through the schoolhouse.

Q How many years have you been dealing with these people in resource planning in the various departments?

A Oh, '90, '91, for the bid closing part.

Q So at least 15 years?

A Oh, yes.

Q And during that period of time have you seen staffing increases at the training department?

A Oh, yes, yes, we ramped up, yes, ramped up

a number of times.

Q When you say the company ramped up the training department, has it done that for short periods of time, training of a few months?

A No. In order for them to get a budget of the size that they were talking about in order to expand the training department they have got to feel comfortable that event is going to last a significant period of time.

If it is just a short spurt of we are having a lot of retirements in the next two or three months, they will suffer through with what they have got, but they see a trend here, and the trend is a lot more training.

Q Who specifically is it that you talk to in management?

A Well, in the resource planning department

is Chuck Klousnitzer, I think. Chuck, I call him Chuck. And then Lyle Hogg, and he is vice president of operations, flying.

Q All right, go ahead, what do they tell you about --

A Well, these are the people who I interface with to find out what we are doing now about the bids that are out today, what the forecast is for the future, how are we going to accommodate the training, how are we going to fill these positions, how many positions are going to be vacant as a

result of attrition, due to a variety of reasons, how are we going to fill these positions as a result of seasonal increase in block hours and just the constant minutiae of doing that process.

Q I believe Dean Colello testified yesterday that the recalls began in March of this year?

A That is correct.

Q Is that consistent with your knowledge?

A Yes, absolutely.

Q And they have continued off and on through 2006?

A Yes, yes.

Q And there is more classes, which classes are you aware of?

A Well, I know that we have a bid out currently that is effective for the month of February, and that has 55 vacant positions of which 40 will be recalls. I have got the exact numbers in my bag.

But I think the more important point is that they plan on having a bid for March, and they plan on recalling pilots through at least August.

Q And what numbers do Mr. Hogg and Chuck give you?

A They say 20 to 30 a month, it could be as much as 40 a month, depending upon how far they want to preload or front-load the staffing. At least that.

Q Have they limited it to the period through August or left that open?

A Well, in my analysis of the numbers, in general terms we have 150 or so pilots to retire or to attrit in the balance of '06, and that drives

recalls now, as opposed -- in addition to that we have the additional block hours for the summer, a swing of 2500 to 3500 extra block hours, dictating another number of recalls. And the numbers that I have been looking at for '07 is 200 plus recalls through the year. They limit it to August because that is about as far forward as they can think.

Q In your experience, when it is necessary to recall pilots from furlough and they go and call people and offer them positions, is there a figure that is reliable as to what proportion of those offered recall will return as they are going down the list offering recall?

A Yes, I have been involved in that and the first recall of 55, we had to go 152 deep to get 55 guys to say yes. They declined for whatever reason.

And then the most recent one of 30 we had to go 107, 110 deep, so in general terms it is about a 3-to-1 reach to get your required number to return.

MR. KATZ: All right. I think that covers the questions that I had for you, Captain Beighlie.

Appreciate your coming by to share this information.

THE WITNESS: Thank you.

MR. KATZ: You have to stay for cross-examination though by the other side.

MR. FREUND: While he moves over there, we will just take a couple minute recess while I figure out if I have anything to ask the captain.

(2:39 p.m. -- recess -- 2:48 p.m.)

CHAIRMAN NICOLAU: Go ahead.

MR. FREUND: I get three free witnesses to talk to in order to get caught up with Dan, I think, right.

MR. KATZ: You can bank them, I guess.

DIRECT EXAMINATION (Resumed)

BY MR. KATZ:

Q I think one thing that I sort of assumed was clear, but maybe it wasn't, is why is it that when you say the training department is going to ramp up that that requires more recalls?

A Well, you have more than just ground instructors in the training department. You have

got simulator instructors, you have got line instructors, you have got people going into supervisory positions and all of that. All of those bodies come out of the line pilots, so as a result

of the training department becoming larger they are extracting line pilots off the line into the training department, and those bodies have to be replaced with bodies that fly.

Q And what about the students in the training department?

A Well, that is your basic training float, and that is as your training increases the float increases. So those people aren't out there flying the line actively, so those positions have to be filled as well.

Q And that's all part of what you were talking about earlier?

A Uh-huh, yes.

Q Now, let me just ask the question this way. Is that being driven by the addition of Athens, Zurich and Brussels or something else?

A Well, the baseline is to handle the

attrition, the attrition is what is driving the recalls, and on top of that are the seasonal additional block hours in the summertime, and on top of that are the new cities. So if you want to look at it as a pyramid, the base, the larger driver is taking care of attrition.

Q We had an Exhibit B-18A which was a three-page exhibit, and I am putting it in front of you now?

A Uh-huh.

Q And it shows the junior pilot on the US Airways system seniority list, Ettore Varini, being recalled in December 2007, and this blue line relates to a age 60 attrition, the gray line is other attrition, the yellow line is the Embraer deliveries?

A Uh-huh.

Q And my question is, based on what Captain Hogg and Chuck, with the unpronounceable last name, have told you, is that consistent with your understanding of the company's plans?

A Yes, absolutely. Yes. Absolutely.

Q That completes the direct examination for real.

CHAIRMAN NICOLAU: Your witness.

CROSS EXAMINATION

BY MR. FREUND:

Q How do you feel about latte and pasta?

A I would have the pasta first.

Q You are an A320 captain?

A Yes, sir.

Q Any particular reason you are not bidding international equipment?

A I don't like red eyes.

Q And my last question is, how many furloughed US Airways pilots would be recalled in the summer of 2000 -- in the fall -- take the fall of 2006, spring of 2007, and the summer of 2007, if

US Airways had liquidated in 2005?

A I guess the number would be zero.

MR. FREUND: That is all I have got.

MR. KATZ: Nothing further. Thank you.

CHAIRMAN NICOLAU: Thank you.

MR. KATZ: We have another witness on

fleet, it is going to be -- we are not going to be able to complete the direct in a half hour, so I leave it up to the chairman as to what you are preference is as to how we should proceed.

CHAIRMAN NICOLAU: Let's go off the record.

(Discussion off the record.)

CHAIRMAN NICOLAU: We are recessed until Monday morning at 10:00. Same hotel.

(Whereupon, at 2:55 p.m., the hearing was recessed, to be reconvened at 10:00 a.m., on Monday, December 11, 2006.)

C O N T E N T S