

1 BEFORE THE ALPA ARBITRATION BOARD
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3 - - - - -X
4 THE CREW MEMBERS OF U. S. :
5 AIRWAYS :
6 Plaintiff, :
7 vs. :
8 THE CREW MEMBERS OF :
9 AMERICA WEST AIRLINES :
10 Defendant. :
11 - - - - -X
12
13 HEARING VOLUME XI
14
15
16 Washington, D. C.
17 Thursday, January 11, 2007
18
19 REPORTED BY:
20 DONALD R. THACKER
21
22

1 Hearing before the ALPA Arbitration Board, on
2 Thursday, January 11, 2007, in Washington, D. C. at
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01-11-07ARBfinal
3 the Mayflower Hotel, 1127 Connecticut Avenue,
4 Northwest, at 2:02 p.m., before DONALD R. THACKER, a
5 Notary Public within and for the District of
6 Columbia, when were present on behalf of the
7 respective parties:

8
9 DANIEL M. KATZ, ESQ.
10 JASON WHITEMAN, ESQ.
11 Katz & Ranzman
12 5028 Wisconsin Avenue, Northwest, Suite 250
13 Washington, D.C. 22036
14 On behalf of U.S. Airways

15
16 JEFFREY R. FREUND, ESQ.
17 Bredhoff & Kaiser, PLLC
18 805 15th Street, Northwest, Suite 1000
19 Washington, D.C. 20005
20 On behalf of America West Airlines

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1 PROCEEDINGS
2 CHAIRMAN NICOLAU: I have instructed our
3 reporter to print this morning's transcript as a
4 separate volume, to mark it confidential so that
5 everybody knows that it is embargoed.
6 We will now go on to other matters.
7 MR. FREUND: We call Lee Fi fe.
8 Whereupon,

9
10 was called as a witness and, having first been duly
11 sworn, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. FREUND:

14 Q You just stated your full name off the
15 record so now I am going to ask you to state your
16 full name on the record, please?

17 A Lee William Fife.

18 Q By whom are you presently employed Mr.
19 Fife?

20 A American West Airlines.

21 Q What capacity?

22 A First officer on the Airbus 320.

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1 Q Have you been a pilot for some time?

2 A Yes, sir. My first airline job started in
3 1979 with Ozark Airlines was furloughed for about
4 four years after the PATCO strike. Went back to
5 Ozark. Left for Piedmont in '87 after the TWA-Ozark
6 merger. We had the experience of the Piedmont-U.S.
7 Airways merger. Stayed with U.S. Airways until June
8 of 2004 when I went with America West.

9 Q Tell us about your career progression, if
10 you would please, for the years that you were a
11 pilot at U.S. Air?

12 A Initially '87 and '88 and early '89 was
13 great growth, at both airlines, Piedmont and U.S.
14 Airways. Actually at the end of '89 was probably my

15 best seniority I had for quite a while. I did
16 furlough in '90. After the furloughs and the merger
17 I was displaced to Pittsburgh on a DC-9 for about a
18 year.

19 Q What were you flying when you first came
20 over from Piedmont and later U.S. Airways?

21 A I started out on a panel for about nine
22 months and then was first officer on a 737.

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1 Q Why don't you keep describing your
2 positions from that point?

3 A Then after the merger, when they closed
4 the Greensboro base, Piedmont Greensboro base, I was
5 displaced to Pittsburgh. I was number one reserve
6 all those years under the Kagle agreement. I was
7 displaced to Pittsburgh on the DC-9 out of
8 Charlotte.

9 Q What position?

10 A First officer, number one reserve. I was
11 number one reserve. Because of the Kagle agreement
12 I could not displace a line holder in Pittsburgh.
13 So even though I had about 80 line holders junior to
14 me, if I bid any open block I was able to pick up a
15 line at that time, but technically I was a reserve
16 pilot.

17 Stayed there for about a year got down to
18 Charlotte as a junior line holder, senior reserve;
19 bounced back and forth on that status on the F-100
20 'til about '96 when things started turning around

21 and I enjoyed some seniority in '78 -- I mean '98,
22 '98, '99, 2000.

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1 Q What were you flying during those years?

2 A I took an upgrade to first officer on the
3 Boeing 757 in Charlotte at the time domestically, in
4 February of 2000.

5 And then after 9-11 and further cutbacks I
6 was displaced first officer in Charlotte on the
7 Airbus. And I was actually going through
8 training when the first Chapter 11 was announced, I
9 was going through training on the Airbus in
10 Charlotte at the time.

11 Q What happened to your career from that
12 point forward?

13 A Well, it continued to go downwards.
14 Actually 2003 I had less seniority than I did in
15 1988. I was closer to the bottom then in seniority
16 list in 2003 than I was in 1988.

17 Q What position were you holding in 2003 and
18 2004?

19 A I was about 10 from the bottom, junior
20 reserve FO in Charlotte.

21 Q What was it like being on reserve at that
22 point in U.S. Airways history?

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1 A That point in U.S. Airways history was
Page 5

2 probably some of the darkest times. A friend of
3 mine, Dan Skollo, which used to be part of the
4 merger committee or part of the ALPA group at U.S.
5 Airways in Charlotte, used to call jokingly, they
6 called the reserve people the walking dead because
7 of how they scheduled the people, how they would
8 take your days off away or transfer --

9 Q Go ahead.

10 A So basically reserve at U.S. Airways for a
11 long time was a really good deal but as the
12 successive bankruptcies and concessions, the reserve
13 at U.S. Airways got to be a position that you really
14 had no life. You didn't have the freedom. You were
15 kind of a bottom feeder.

16 And your days off didn't mean much to
17 them. They could transition you from long haul to
18 short haul or take your days away, put you out of
19 base in a different hub at their needs.

20 Q You told me about one experience that in
21 particular that stood out in your mind that we were
22 talking about morning, about a particular set of

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1 trips that you were doing. Can you tell the panel
2 about that?

3 A I had just come in off a trip and gotten
4 home about 10:30 at night on long haul reserve which
5 meant I had nine hour call. They could give me nine
6 hours before I had to show up. They called me at
7 2:30 in the morning for a 5:30 show the next day to

8 fly to San Francisco, to fly the red eye back. And
9 I said to the guy, I said, well, when am I supposed
10 to sleep? This is 2:30 in the morning.

11 He said on your days off, and I said,
12 well, you have taken my days off and moved them away
13 and now you are assigning me this trip. I said it
14 is pretty difficult to get some sleep. He said,
15 well, you have got time to sleep now.

16 I said, well, you think that somebody at
17 2:30 in the morning when you wake me up and say
18 well, contractually I can call you and wake you up,
19 now you can go back to sleep. You think you are
20 going to be able to go back to sleep at that point
21 very easily, because it is very annoying to be
22 called at 2:30 in the morning and say, well, 5:30

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1 tomorrow afternoon you have got to be here.

2 Q Isn't that part of being on reserve?

3 A His comment was well, contract says we
4 can, so I can call you. When am I supposed to
5 sleep? You didn't have to answer the phone. Well,
6 it is 2:30 in the morning, who is going to call me
7 at 2:30 in the morning?

8 Q Is that what reserve was like at U.S.
9 Airways in the early years that you were there?

10 A No, no, it was not.

11 Q What is it that prompted you to -- let's
12 back up a bit.

13 I take it you were not furloughed from

14 U. S. Airways --

15 A No, sir, I was not furloughed.

16 Q What happened that prompted you to leave

17 U. S. Airways and come to America West?

18 A I got called in Charlotte to cover a,
19 basically a D.C. shuttle flight in December '03, and
20 it happened to be when they were having their
21 station manager meeting in Washington, D.C. and if
22 you sit as a fly on the wall while eating lunch and

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1 dinner that day and hear about them talking about
2 well, we will cut back further of 50 more aircraft,
3 this is December of '03, I am saying okay.

4 I stood about 700 from the bottom, and I
5 start crunching the numbers quickly in my mind what
6 a cutback of 50 more aircraft, as it is now I'm
7 sitting on fence of either not having a job or being
8 very, very junior.

9 So it is because of hearing that, you
10 know, basically U. S. Airways was semi terminal at
11 that point, you realized there was always a cutback.
12 If it was bad news, it probably came through true.
13 If it was good news, it usually didn't come our way.

14 So I thought I had better start trying to
15 find another job before I didn't have a job, and
16 that was pretty much the catalyst that made me
17 decide to start looking for another job.

18 Q And you applied to America West and were
19 hired, I take it?

20 A Yes, I did.

21 Q Yesterday we put into evidence an article
22 that was written by Jack Stephan. Do you know who

1847

1 Jack Stephan is?

2 A Yes, sir, I do.

3 Q Maybe we put it in two days ago, I can't
4 remember when it was. And prior to the part of the
5 article reads as follows "I can't remember a darker
6 time in our history both morale and available cash
7 were at an all time low. Our pilot group was
8 sharply divided on how best to proceed. Many were
9 simply fed up and were promoting a max pay to the
10 last day approach to management's increasing angst."

11 Here is the sentence I wanted to focus on.
12 "Others were willing to cut their losses and simply
13 voted with their feet, pursuing other careers and
14 other flying jobs, even if it meant living in the
15 deserts of Dubai. It was that bad."

16 Does that describe your experience with
17 U.S. Airways?

18 A It was very sad times at U.S. Airways. It
19 was dark times. I can't tell you anybody that I was
20 working with that walked up and said, hey, I'm happy
21 to be here today and I'm proud to be a part of U.S.
22 Airways. And even David Segal made the statement,

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1 "If you don't like it, leave."

2 Q And you left?

3 A And I left.

4 Q Were other colleagues of yours, did other
5 colleagues of yours follow suit?

6 A I had many friends that not only took
7 personal leaves to go to work at other airlines but
8 they also resigned if they could not get personal
9 leave.

10 I had one friend that actually came to
11 America West for one day, didn't resign, went back
12 to U.S. Airways and then he took a personal leave
13 and ended up at Jet Blue. So --

14 Q Did colleagues of yours who were working
15 for U.S. Airways ask you to assist them in getting
16 applications at America West after you started up at
17 America West?

18 A Continuously as I would commute back and
19 forth, yes.

20 MR. FREUND: That is all I have of this
21 witness.

22 MR. KATZ: I would like to take a short

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1 break to confer with my clients before
2 cross-examining Mr. Fi fe.

3 CHAIRMAN NICOLAU: Very good. Mr. Fi fe,
4 you can move around. You can't discuss your
5 testimony.

6 THE WITNESS: Okay.

7 MR. KATZ: Just give me five minutes, if
8 you would, George.

9 (2:14 a.m. -- recess -- a 2:22 p.m.)

10 CHAIRMAN NICOLAU: Go ahead.

11 CROSS EXAMINATION

12 BY MR. KATZ:

13 Q Mr. Fi fe, I was following along as well as
14 I could with your description of your airline
15 employment history. When was it that you were hired
16 at Piedmont?

17 A Piedmont would have been April 20th, 1987.

18 Q Okay. And you said you started there for
19 a few months as a flight engineer, second officer?

20 A It was about nine months, yes.

21 Q Nine months. And then you became a 737
22 co-pilot?

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1 A That is correct.

2 Q And you flew for Piedmont and U.S. Air for
3 17 years?

4 A That is correct.

5 Q Most of the time were you based in
6 Charlotte?

7 A Except for one year in Pittsburgh.

8 Q And where is your home, Mr. Fi fe?

9 A Charlotte.

10 Q Charlotte, North Carolina?

11 A Yes, sir.

12 Q And you are commuting to Phoenix now, I
13 take it?

14 A Yes, I am.

15 Q Now, I am going to ask my associate to
16 give you our Volume B materials, and ask you to flip
17 to Tab 3 in there.

18 A Okay.

19 Q And down to page 43?

20 A All right.

21 Q And then by number 1751 there is an L.W.
22 Fife who is listed. Is that you, sir?

1851

1 A That is correct.

2 Q And it shows you are A320 co-pilot in
3 Phoenix, with a birthday of March 25, 1956, is that
4 all correct?

5 A That is right.

6 Q And shows your date of hire as June 21,
7 2004 at America West?

8 A That is correct.

9 Q And this shows that you, as of the date of
10 announcement of the merger, which was May 19th,
11 2005, you had nine-tenths of a year of service at
12 America West?

13 A That is also correct.

14 Q So you were still on probation when the
15 merger was announced?

16 A That is correct.

17 Q And let's just flip back then to Tab 2,

18 and I would ask you to go, please, to the page with
19 the April 20, 1987 hires on it, which is page 68.

20 And it seems to me that with your birthday, where
21 were you in this class of April 20th, 1987?

22 A Right between Mallman and Shepherd.

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1 Q So Mallman's number on the seniority
2 number -- well, let's just look at the left most
3 number is 2754, and 2755 is Shepherd. So for that
4 17-year period of time you were in between those two
5 pilots?

6 A That is correct.

7 Q Now, on the right where it says FS 1 and
8 FE 1, you see there is no entries, that indicates
9 that neither of those pilots nor anyone on the pages
10 68 and 69 had any furlough time?

11 A That is correct.

12 Q FS refers to furlough start. You were
13 never furloughed?

14 A That is correct.

15 Q And the people around you were never
16 furloughed?

17 A Correct.

18 Q You talked about flying as co-pilot, after
19 that first nine months as a flight engineer?

20 A That is also correct.

21 Q And you never upgraded to captain?

22 A No, I did not.

1 Q But there were people senior to you who
2 did fly as captain beginning in 1999; isn't that
3 correct?

4 A That is also correct.

5 Q And were there people junior to you as
6 well, who were flying as captains?

7 A That is also correct.

8 Q They would have been based in Philadelphia
9 and places like that?

10 A Uh-huh.

11 CHAIRMAN NICOLAU: Excuse me, you have to
12 say yes or no.

13 THE WITNESS: Yes.

14 BY MR. KATZ:

15 Q We understand the uh-huh but for the court
16 reporter's purposes it is better to give an
17 affirmative or negative answer so that picks up
18 better on the transcripts.

19 The pars that you described, with that
20 crew schedule or otherwise, do you attribute them
21 mostly to being on reserve at a time when the
22 reserves were mistreated basically at U.S. Air?

1 A It was a very difficult time for reserves
2 at U.S. Airways, yes.

3 Q Isn't it also true that there were pilots
4 junior to you who were line holders at that time and

5 before then?

6 A At that time there would have been
7 possibly, maybe in La Guardia.

8 Q In fact you could have stayed as a line
9 holder the entire time at La Guardia if you had
10 wanted to?

11 A If I chose to commute to La Guardia.

12 Q Were there nonstop flights from Charlotte
13 to La Guardia?

14 A Yes.

15 Q And it is every bit as close as Phoenix,
16 isn't it?

17 A Yes, it is.

18 MR. KATZ: That completes my
19 cross-examination. Thank you, Mr. Fi fe.

20 REDIRECT EXAMINATION

21 BY MR. FREUND:

22 Q I have just one quick question. I think I

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1 am right about this, but the pilots who were junior
2 to you who checked out as captain, is it your
3 understanding that they checked out as captain in
4 the Metrojet operation?

5 A Some of them up in Philly reserve on the
6 Airbus, most of them on Metrojet, a few of them on
7 the F-100 in Charlotte, junior reserve.

8 MR. FREUND: Thank you. That is all we
9 have.

10 CHAIRMAN NICOLAU: Thank you, sir.

11 MR. FREUND: Thank you, Lee. With Lee
12 Fife's testimony as an introductory to a live human
13 being testifying on a subject, not that Kevin Horner
14 is not a live human being, but we will call Kevin
15 Horner, and Lisa Powell is going to do his Direct.

16 CHAIRMAN NICOLAU: Okay.

17 MS. POWELL: At the risk of tempting
18 everyone to read ahead I am going to go ahead and
19 pass out the exhibits that I am going to use.
20 Whereupon,

21 KEVIN SCOTT HORNER
22 was called as a witness and, having first been duly

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1 sworn, was examined and testified as follows:

2 DIRECT EXAMINATION

3 BY MS. POWELL:

4 Q Please state your name and address for the
5 record?

6 A My name is Kevin Scott Horner, and I live
7 at 14067 Highway E, that is in Curryville, Missouri.

8 Q Who is your current employer?

9 A I am currently employed by America West
10 Airlines.

11 Q What is your current position with America
12 West?

13 A I am a Phoenix based Boeing 737 first
14 officer.

15 Q And your date of hire?

16 A I was hired November 17th of 2003 by

17 America West.

18 Q You are a member of the merger committee
19 of America West, correct?

20 A Yes.

21 Q Could you walk us through a little brief
22 history of your education as a pilot and your early

1857

1 career as a pilot?

2 A Okay. Basically my interest in becoming a
3 pilot was more to satisfy a hobby interest. I
4 obtained my private pilot's license between the
5 junior and senior year of high school, with really
6 no aspirations to become a professional pilot at
7 that time. Originally I began my freshman year of
8 college focusing on commercial art and advertising.
9 In about midway through my first semester of my
10 freshman year at college, having a number of
11 requests to give airplane rides in my freshman year,
12 I thought maybe that would be a neat way to pursue a
13 career.

14 So I spent my Christmas break of my
15 freshman year of college pursuing four-year program
16 that were aviation related.

17 Q After college did you continue on your
18 path as a pilot?

19 A Well, I guess I could expand on my
20 college. I ended up enrolling at the University of
21 North Dakota in Grand Forks where I began my
22 sophomore year in the Bachelor of Science

1 aeronautical studies program.

2 Q After college you joined a charter service
3 and --

4 A I actually began my professional career as
5 a pilot between my junior and senior year of
6 college, working for a flight school and a charter
7 operation, that also had a 24 hour air ambulance
8 program as well.

9 Q At some point did you become a pilot for
10 TWA?

11 A Yes, during my employment at the charter
12 operation I started to apply to major carriers of
13 which I ended up at Trans World Airlines in April
14 of 1989.

15 Q Briefly what were your positions at TWA?

16 A Started out at TWA as a Boeing 727 flight
17 engineer based in New York. Within six months of
18 employment I was able to go back home in St. Louis
19 where I remained as a 727 flight engineer until late
20 1993, at which point I got an upgrade bid to the
21 DC-9 MD-80 as a first officer based in St. Louis.

22 I remained in that position until late

1 1997, and at that point I was able to move over to
2 the Boeing 767-57 as an international first officer,

3 and then subsequently in late 1999 I got a captain
4 bid for the MD-80 in St. Louis back in the domestic
5 system.

6 Q What happened in January 2001?

7 A In January 2001 American Airlines
8 announced purchasing TWA.

9 Q And TWA and American subsequently merged?

10 A That is correct.

11 Q At the time the pilots of TWA were
12 represented by ALPA, correct?

13 A That is correct.

14 Q And the pilots of American were
15 represented by the APA?

16 A That is also correct.

17 Q So that a seniority integration was not
18 like this integration pursuant to ALPA merger
19 policy, but a separate, a different process,
20 correct?

21 A That is also correct.

22 Q Could you tell us a little bit about how

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1 that seniority integration was handled?

2 A The seniority integration at the end of
3 the day effectively put 60 percent of the pilot
4 group of TWA at the bottom of the American Airlines
5 seniority list, which included upwards of 200
6 captains from TWA.

7 Q And you were a captain at the time at TWA,
8 were you below all the American airlines pilots as

9 of the day of the merger announcement?

10 A My position was 19 numbers below pilot
11 hired at American on a constructive notice date of
12 the merger of TWA and American Airlines.

13 Q Did you become a, did you continue as a
14 captain for some period of time as an American
15 captain?

16 A Yes, I was issued a captain's uniform by
17 American Airlines, and remained in my captain
18 position in St. Louis until it would be October 1st
19 of 2002.

20 Q At that time was American, 9-11 had
21 happened in the interim, correct?

22 A That is correct.

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1 Q And American was in the process of
2 furloughing so captains were being displaced to
3 first officer and --

4 A Yes, I was eventually displaced in October
5 2007 to a Boeing 757 first officer position and
6 subsequently furloughed in July of 2003.

7 Q What did you do when you were furloughed?

8 A Well, I evaluated whether I wanted to
9 pursue an aviation career or find local employment
10 until being recalled at American Airlines, and after
11 working construction for a month or two I realized
12 that all I knew how to do was fly airplanes and not
13 operate air guns and things like that, or nail guns.

14 So I did some research to find out what

15 job opportunities were out there. At the time the
16 market was flooded with pilots. All the legacy
17 carriers were furloughing and I thought my chances
18 of finding employment, at least in a U.S. carrier
19 were going to be very, very difficult.

20 But as I started to read I saw that maybe
21 it wasn't as dire as it could be because of the LCC,
22 as we know now, were doing some hiring. There was

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1 Jet Blue, there was Air Tran, America West,
2 Southwest, were doing some hiring.

3 Q Okay, and apparently you applied to and
4 were hired at America West?

5 A That is correct, I was hired at America
6 West in November of 2003.

7 Q How was your first year at America West?

8 A The first year at Amer -- well, number
9 one, I was very grateful to get a job, being at the
10 competitive hiring pool that was out there. But the
11 company itself, when I was looking at prospective
12 employers in the application process I had a very
13 proactive management team to seemed to recover from
14 the event of 9-11 very well by remodeling their
15 business plan, and again being very proactive. The
16 company itself was very welcoming and it felt good
17 to be part of airline.

18 Q Did America West continue hiring after
19 they hired you throughout 2003, 2004?

20 A Yes, American -- America West hired

21 through April of 2005.

22 Q And in April of 2005 approximately how

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1 many pilots were below you on the seniority list at
2 America West?

3 A By the time the hiring stopped at America
4 West there was approximately 258 pilots below me.

5 Q In May 2005, as we all know, merger with
6 U.S. Airways was announced. How did you feel about
7 the merger when it was first announced?

8 A Well, having just experienced a merger,
9 myself, and being furloughed as a result thereof,
10 and obviously of the cyclical industry trend, I met
11 that with mixed emotions, because again, there was
12 obviously going to be some contentious issues to be
13 dealt with.

14 Q Did you then volunteer to be part of the
15 merger committee?

16 A That is correct. I felt having been
17 through a merger before and America West not having
18 been through any mergers I might have something to
19 offer the merger committee, for some insight, so
20 yes, I felt maybe if I could contribute to that I
21 would like to.

22 Q What happened with the pilots at America

1864

1 West after the merger was announced in May 2005?

2 A Well, the steady hiring that had been
3 going on at the time ceased as well as aircraft
4 deliveries that were supposedly forthcoming in the
5 short time period, and captain upgrades also stopped
6 at the time.

7 Q Okay. Do you have some exhibits, it looks
8 like you don't -- do you have them with you, not in
9 a notebook, showing that what you just mentioned is
10 reflected in data, not simply your perception of
11 what happened?

12 A Yes.

13 Q The exhibits are going to be
14 nonconsecutive because we thought there would be a
15 couple in between, but we will just go with the tabs
16 that are reflected here. I think that is simpler.

17 Please turn to Exhibit 13. Could you
18 explain what this chart is, broadly speaking, first?

19 A This is a career progression of two
20 different pilots at, one pilot from America West
21 Airlines and one pilot from U.S. Airways.

22 Q And the pilots you chose, Mr. Jim Hershey

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1 as the U.S. Airways pilot, he testified earlier in
2 this hearing, correct?

3 A Yes.

4 Q And it just so happened that Captain Ken
5 Straver, who is a member of our merger committee,
6 was hired during the same month as him at America
7 West, correct?

8 A That is correct.

9 Q The percentages on the left side, what do
10 the percentages mean?

11 A The percentages are relative to the pilots
12 on the seniority list at the time in the year
13 indicated.

14 Q And there are various text entries as you
15 go down the blue and the green lines. What are
16 those entries?

17 A The entries for Jim Hershey are those that
18 were from his testimony given earlier, and the
19 points of Captain Straver's were those from Captain
20 Straver's training records at America West.

21 Q For Captain Hershey you didn't have his
22 records so you took his testimony as true as to what

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1 his positions were at any given time?

2 A Correct.

3 Q Okay. The beginning and end points are
4 reflected on seniority lists, but could you explain
5 how the points in the middle were approximated?

6 A Okay, I didn't have a complete data set
7 from either of the America West or U.S. Airways
8 seniority list information, so the only way I was
9 able to derive these career progress charts was to
10 use the full time equivalent data from Form 41.

11 And then I also took the certified
12 seniority lists and basically manually calculated
13 how many pilots resided below each, active pilots

14 resided below each pilot indicated here.

15 Q Okay. And for the years that you were
16 able to obtain these certified seniority lists of
17 that year did you cross check the data to verify
18 that your approximations were close to the actual
19 data points?

20 A I wanted to do that just to make sure that
21 the methodology I was using was going to be
22 consistent, and I was able to obtain later the

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1 seniority lists from 1991, '92, from U.S. Airways,
2 with the exception of '95, all the way through 2005,
3 and the shape of the profile did not change very
4 much.

5 Q Could you for each of these pilots please
6 walk us through what happened during those periods?

7 A Yes. For Captain Stravers, he was hired
8 in July 1989, as a Dash 8 first officer.
9 Approximately a year and a half two years later he
10 upgraded to 757 first officer, followed by a
11 displacement back to the Boeing 737, and then in
12 1997 he moved over to the Airbus A320 as a first
13 officer, and then shortly thereafter upgraded to
14 captain on the Airbus 320.

15 Q He remained a captain since that upgrade?

16 A Yes, he has.

17 Q And where does he find himself on the
18 America West seniority list at the present time?

19 A At the present time he finds himself in

20 the upper 30 percent of the total active pilots on
21 the seniority list.

22 Q Okay, and Mr. Hershey's career?

1868

1 A Mr. Hershey started his career on the
2 Boeing 727 as a second officer, in 1991 he spent a
3 brief two and a half or three and a half months
4 there on furlough and then subsequently thereafter
5 went to the F-28 as a first officer, and then to the
6 Boeing 737 as a first officer, back to the F-28 and
7 then the DC-9 and then the 737 all as first
8 officers.

9 Then he upgraded to the 757 as an
10 international IR0, according to his testimony, and
11 then later was displaced back to the 757 system,
12 then displaced the A320 as a F0, and then furloughed
13 as of January '03 where he remained as of
14 January 7th of 2003.

15 Q Given everything that you know about
16 Captain Stravers' and Mr. Hershey's career
17 progression would you have reason to conclude that
18 they had different career expectations after May
19 18th, 2005?

20 A Yes.

21 Q Turning, I think some of these pages may
22 be upside down, mine are, briefly to the next two

1869

1 pages of this same exhibit, what do these represent?

2 A These are just representative, using the
3 exact same data used to create the chart we just
4 reviewed, but it is just basically shows the
5 relative position of each respective pilot with
6 respect to total active pilots in each seniority
7 list.

8 Q So these are in numbers instead of
9 percentiles?

10 A That is correct.

11 Q And it shows the same general career
12 progression up for Captain Stravers and the same
13 career progression for Mr. Hershey that was
14 testified to?

15 A That is correct.

16 Q Please turn to Exhibit 14. Would you tell
17 the panel what Exhibit 14 represents?

18 A Okay. This was also another career,
19 history comparison and actually this was my first
20 attempt as doing a career history comparison. This
21 is with Captain Jim Haynes from America West, who
22 was hired in July 1988, and that of Joe Monda who

1870

1 was hired in July of '88 as well.

2 I picked Joe Monda because he was the last
3 most junior pilot on the active seniority list, on
4 the U.S. Airways side, and had showed no furlough
5 time.

6 Q Could you briefly summarize the career
7 progression of Captain Haynes and Mr. Monda?

8 A The career progression is that have
9 similar to what we just reviewed as well. They both
10 started out as new hires in 1988, and Captain Haynes
11 advanced through his career, and at the end of the
12 time period noted here in 2005 had, was in the top
13 20th percentile of the total active pilots. And
14 again at the end of Joe Monda's career progression,
15 he was at the bottom of the seniority list once
16 again.

17 Q The next two pages, again, show the same
18 data but using numbers instead of percentiles?

19 A That is correct. It is the same analysis
20 that we did with Captain Stravers and Jim Hershey.

21 Q And they presently show the same
22 pattern --

1871

1 A Very similar, yes.

2 Q -- as the relative percentiles?

3 Please turn to Exhibit 15. What does
4 Exhibit 15 represent?

5 A This is the career progression of the
6 America West pilot Verdile who was our post 9-11 new
7 hire at America West.

8 Q Why is there no U.S. Airways pilot
9 compared to Mr. --

10 A There was no comparison pilot available.
11 The last new hire for the main line operation at

12 U. S. Airways was in April of 2000.

13 Q Now, for this chart did you use the actual
14 seniority list?

15 A Yes, I did have the complete data to
16 utilize the actual seniority list to compile this
17 chart.

18 Q Now, what has Mr. Verdile experienced
19 during his career at America West?

20 A When Mr. Verdile was first hired, within
21 the first year of his employment he reached the 18th
22 percentile of the active seniority list, within a

1872

1 year he was up to 18 percent tile, and due to the
2 hiring, hiring stopping in April of 2005 his career
3 progression flattened out.

4 Q Please turn to Exhibit 16. Please compare
5 the career progressions of U. S. Airways and America
6 West pilots hired at the same time; this chart has
7 two America West pilots?

8 A That is correct.

9 Q And what does this chart show?

10 A This chart shows an 18-month career
11 projection for a pilot hired in early 2003 and the
12 last pilot hired prior to the merger announcement,
13 and their career advancements compared.

14 And it shows Doug Duncan, who was hired
15 like I said in January of 2003. Within six months
16 he had approximately 35 to 40 pilots below him but
17 by the end of the 18-month time period he had well

18 over 200 pilots below him on the seniority list.

19 And the other line indicated here is that
20 representative of Dave O'Dell, who was the last hire
21 prior to the merger announcement, where he has
22 remained on the bottom of the seniority list, which

1873

1 shows that all the hiring that was going on had
2 stopped due to the merger announcement.

3 Q You mentioned that you were hired in
4 November 2003. How many pilots did you say you had
5 below you by the time the hiring stopped?

6 A I had 258 pilots below me so my career
7 progression is that very representative of Doug
8 Duncan's career progression.

9 Q Okay. If you look -- you testified that
10 America West hired throughout 2003 and 2004, so if
11 you looked at any new hire pilot after they started
12 hiring after 9-11 it would show a somewhat similar
13 basic progression until you reached the 2005 hires,
14 correct?

15 A That is correct, with the given aircraft
16 orders, every new hire that came to America West
17 would have expected to see, at least for the short
18 period of time going forward, very similar
19 progression.

20 Q When Dave O'Dell placed his bet with
21 America West, if he had looked at all of this post
22 9-11 new hires would he likely have expected

1 something different than being the bottom guy after
2 18 months?

3 A Yes, I believe Dave didn't resign in his
4 previous position to be the bottom guy for a period
5 of time.

6 Q Please turn to Exhibit 17. What does
7 Exhibit 17 represent?

8 A This represents the last question you just
9 asked me, Dave O'Dell's career advancement of actual
10 versus what he had expected when he took the
11 position with America West airlines.

12 And this is representative of the short
13 term going out to our present day which we are at
14 right now in January of '07, again based on the
15 aircraft order that was in place at the time of his
16 hire. And also I was able to add the data of actual
17 retirements that have occurred since as well.

18 Q So the blue line represents, if they had
19 hired, used 12 pilots per aircraft?

20 A Yes, I used the conservative staffing
21 level of 12 pilots per airplane. Had they taken
22 delivery that would have made 19th an order of 22,

1 and actually the red line at the bottom is the
2 results of what he has actually experienced.

3 Q So, if Mr. O'Dell had looked at the
4 projected deliveries schedule of airplanes as he

5 might have looked at the past experience of pilots,
6 would he have had reason to expect to be somewhere
7 other than the bottom pilot --

8 A Yes.

9 Q -- a couple years after being hired?

10 A Yes.

11 Q You noted briefly that captain upgrades
12 had stagnated after the merger announcement. Please
13 turn to Exhibit 18. Would you tell us what that
14 represents?

15 A Exhibit 18 represents a pilot I selected
16 that was one of the captain upgrades in the post
17 9-11 era, very similar to the time frame that I
18 picked for Doug Duncan, and he completed his upgrade
19 in January of 2003, and the progression of captain
20 upgrades below him, and that as opposed to the most
21 junior captain that resides right now on the
22 seniority list.

1876

1 Q And as we will see later there were more
2 upgrades during the time period represented by the
3 blue line, but you are simply graphing the number of
4 people below Captain Oyague; is that correct?

5 A I am sorry, restate the question.

6 Q The graph reflects that 18 months after
7 upgrading there are 70 captains below Captain
8 Oyague?

9 A That is correct.

10 Q That is not the total number who upgraded,
Page 32

11 that is only the number of people who resided below
12 Captain Oyague on the seniority list --

13 A Correct. There were many more upgrades
14 that occurred during that time but since he was the
15 junior one, his advancement was only that of 70
16 captains.

17 Q Turn to Exhibit 19, please. What does
18 this graph represent?

19 A This graph represents the recent America
20 West captain upgrades, actual versus expected. The
21 red line represents actual captain upgrades in the
22 post merger announcement, which there is a side note

1877

1 to that, and then the blue line which is projected
2 captain upgrades required for the remaining delivery
3 of 19 aircraft, and retirement that are actual that
4 occurred at America West in this time frame.

5 You will see an uptick in the red line
6 from May through September-October period, of 2005,
7 and that actually was captains that upgraded as a
8 result of a bid that was out previous to the merger
9 announcement. So those are actually residual
10 captain upgrades that were ongoing at the time.

11 Then you will see there is a period of no
12 upgrades until early September of '06. And those
13 upgrades were a result of staffing requirements that
14 the company needed to put captains back in the seat
15 due to attrition.

16 Q And the blue line is based on a

17 conservative staffing ratio of six captains per the
18 19 aircraft?

19 A That is correct.

20 Q And the actual captain attrition?

21 A Yes.

22 Q Please turn to Exhibit 20. What does

1878

1 Exhibit 20 show?

2 A Exhibit 20 is captain upgrades per year.
3 This is not fully representative of the number of
4 captains that upgraded during this time period at
5 America West. This is only those captains that
6 upgraded that are still on the active seniority
7 list.

8 We went to the company to see if there was
9 any information available just to do a study on
10 captain upgrades at America West, and as pilots
11 retired or left the airline their upgrade
12 information disappeared, or was no longer kept by
13 the company. So this is representative of the
14 pilots that currently reside and exist on the
15 seniority list in numbers.

16 Q So the numbers are not precise, but do
17 particular patterns appear in captain upgrades?

18 A Yes, the captain upgrades are indicative
19 in 1995 the resultant number of upgrades was that
20 due to the effect of bankruptcy and Gulf War one,
21 you see another slump in 2001 as a result of the
22 economy of 2001, as well as the events of 9-11. And

1 then in 2006 in the post merger announcement
2 environment you see a decline also in the number of
3 upgrades per year.

4 Q Okay.

5 A But what you do see in this chart is even
6 though there are some peaks and valleys, that the
7 recoveries after those events do show prominently.

8 Q And the largest upgrades at least
9 according to this chart was 2004?

10 A That is correct.

11 Q And then it fell off deeply from there?

12 A Uh-huh.

13 Q Due -- let's turn to Exhibit 21. Explain
14 what this chart is, please?

15 A Well, I wanted to break down and analyze
16 in what quarters do most of the upgrades occur, and
17 I mean even though it is not an historical data, it
18 does show in the last couple of years that typically
19 in the first quarter of each year that the number of
20 pilots that upgrade is not as great as it is in
21 other quarters of the year.

22 But what you can see is in comparing first

1 quarter '04 to first quarter '05 there was some
2 improvement and then in fourth quarter or 2004

3 second quarter, and third quarter there was
4 significant upgrades, which if you look at 2005 in
5 third quarter and fourth quarter those results
6 significantly declined in the post merger
7 announcement environment.

8 And then there were no upgrades in 2006
9 first, second and third quarters, and then as my
10 previous chart indicated, fourth quarter was the
11 result of needing to staff the airline again with
12 captains.

13 Q So, on the last chart we saw a decrease
14 for 2005 but if you look more precisely at the
15 time periods it shows that almost all of the
16 upgrades in 2005 were before the merger was
17 announced?

18 A That is correct, yes.

19 Q It shows three quarters with no upgrades
20 whatsoever?

21 A Correct. Yes.

22 Q And finally, please turn to chart 22.

1881

1 What does this chart show us?

2 A Chart 22 here or Exhibit 22, shows us that
3 taking the data from the time that a captain is
4 hired to the time a captain completes and finishes
5 the upgrade program this chart depicts the average
6 years that a captain can expect to upgrade in
7 America West airlines.

8 Q And putting aside the last year on the

9 chart, we see a range of seven to nine years
10 consistently, correct?

11 A That is correct. So that a pilot hired in
12 1999, '98, would have upgraded and -- I am sorry
13 1989 and 1990, would have upgraded in 1998, is the
14 longest group of pilots, but that trend became less
15 and less, so that a pilot hired in, it would be
16 seven years, a pilot hired in '95-'96 would be shown
17 in the bar graph in 2002.

18 Q Okay, on average?

19 A On average.

20 Q Now, we don't have enough data to compare
21 the U.S. Airways pilots but if, for example, we
22 think about their junior active pilot Mr. Monda who

1882

1 we discussed earlier, was a 1988 date of hire, can
2 we surmise that literally and figuratively that the
3 U.S. Airways average time would upgrade would be off
4 this chart?

5 A Yes.

6 Q And then what happened in the last year on
7 that chart?

8 A Well, since most of the upgrades you will
9 see a two-year uptick from almost seven years to
10 11 years, and again that is a result of a time
11 period from the large group in the second quarter of
12 '05, and then the pause for almost a two-year period
13 of time until the last quarter of '06 when the
14 upgrades started again. So that two-year period is

15 indicated of stagnation by the two-year bar graph
16 change.

17 Q And was 2006 the longest time to upgrade
18 on average of any year of America West history?

19 A Yes.

20 MS. POWELL: Thank you. Nothing further.

21 MR. KATZ: I would like to take a break to
22 prepare the cross examination.

1883

1 CHAIRMAN NICOLAU: Very good.

2 MR. KATZ: Maybe 15 minutes.

3 CHAIRMAN NICOLAU: Very good.

4 (3:05 p.m. -- recess -- 3:22 p.m.)

5 MR. KATZ: Okay, we are ready to resume.

6 CHAIRMAN NICOLAU: Very good.

7 CROSS EXAMINATION

8 BY MR. KATZ:

9 Q Good afternoon, Mr. Horner.

10 A Good afternoon.

11 Q You started out talking about your
12 educational and employment background, and what year
13 was it you got your degree from University of North
14 Dakota?

15 A I graduated in May 1987 with a Bachelor of
16 Science in Aeronautical Studies.

17 Q And you started at TWA in April of 1989?

18 A Yes, sir, that is correct.

19 Q Then the TWA-American transaction occurred
20 in 2001, and you were able to continue flying as a

21 captain from St. Louis through October of 2002?

22 A My last trip was at the beginning of

1884

1 October 2002, that is correct.

2 Q Then when you were displaced it was to the
3 767 F0 and you flew that for another nine months?

4 A Until the end of July of 2003; correct.

5 Q And you were then furloughed?

6 A Yes, sir.

7 Q Do you still have a seniority number at
8 American airlines?

9 A Yes, I do.

10 Q They didn't require that you give it up
11 to, when you came to work at America West?

12 A No, America West did not request that I
13 resign my seniority at American Airlines.

14 Q You said -- did you receive any other
15 offers of employment as a pilot after you were
16 furloughed in July 2003?

17 A No.

18 Q Just the one from the America West?

19 A Just the one from America West. They were
20 the first to call me and interview and offer me a
21 job and subsequently that is where I went.

22 Q And you really were pretty lucky in that

1885

1 you were only, you got your job as a pilot at

2 America West in November 2003, about four months
3 after the furlough?

4 A Yes, sir.

5 Q And you have flown as a first officer on
6 the 737 the whole time you have been with America
7 West?

8 A Yes, sir.

9 Q Did I understand your testimony that your
10 acceptance of the position with America West was
11 affected to some extent by your evaluation of the
12 management at America West?

13 A I looked at the, you know, like every
14 other pilot in the industry that wants to stay
15 educated on what is going on, I spent the time to
16 look at what the environment was doing, what the
17 effects -- there was other airlines hiring around
18 the world. Number one, I looked at Cathay Pacific
19 or go fly for United Emirates over in Dubai, but I
20 limited myself because of the family and everything
21 else on trying to find a domestic carrier.

22 But I looked at OACC and also the effects

1886

1 that America West and its progressive management
2 looked like a good choice to go to America West.

3 Q So you are basically saying that it was a
4 consideration as to why you accepted that offer?

5 A Correct.

6 Q And did you look at the age distribution
7 of the people who were employed as pilots at America

8 West already?

9 A I was familiar with the age distribution
10 but more interesting, I was looking at the potential
11 growth of flying with an order that was previously
12 placed with the 318s and subsequently changed later
13 to, but it looked like America West was poised to
14 take delivery of some Airbus aircraft.

15 Q Did you join that outfit, I think it is in
16 Atlanta, Air, Inc.?

17 A No, I did not.

18 Q They do some research for people who are
19 applying for pilot jobs. You know the outfit I am
20 talking about?

21 A I know the outfit you are talking about,
22 yes, sir.

1887

1 Q Did you have any other source of data
2 about the likely attrition of pilots who were
3 already on the list at various airlines?

4 A I familiarized myself with which
5 particular data sources, I can't recall.

6 Q And so did you look at the likely
7 attrition of people who were already employed as
8 pilots at other airlines?

9 A Yes. I mean everybody kind of looks at
10 that, but realistically to be honest with you, I
11 didn't want to get on with an airline at the time
12 that was so competitive that, while I considered all
13 that I did take the employment at America West

14 because it was first offered me.

15 Q And in evaluating the management at
16 America West I assume you focused in particular on
17 Doug Parker as the CEO?

18 A Not necessarily in particular with the
19 moves of Doug Parker, because I didn't know Doug
20 Parker personally, but the moves that they made
21 seemed to be good moves and they were talking about
22 airline analysts, restructuring their ticket prices,

1888

1 removing Saturday night penalties, things like that.

2 America West management was spoken highly
3 of in trade publications, APA, Air Transport World,
4 things like that that I was referencing at the time.

5 Q Let me show you one of the exhibits that
6 we have put into evidence, it is in Volume C,
7 Exhibit 30 -- I am sorry, 3-K, page 8. And I think
8 Jason has found that page. Take a look at the
9 bottom paragraph where Doug Parker is talking on
10 this transcript while we let the panel pull this
11 document down.

12 MR. BRUCIA: What was the tab?

13 MR. KATZ: It is Tab 3, Exhibit K. This is
14 one with those blue dividers in it. And then page
15 8.

16 THE WITNESS: You say this last paragraph
17 is what I need to be focusing on?

18 Q Yes, I am particularly interested in the
19 part that is highlighted in yellow, where Mr. Parker

20 tells the people assembled in the lunchroom or
21 whatever it is?

22 A Oh, this is the transcript from one of

1889

1 those brown bag deals?

2 Q Yes, it is a transcript. You may have
3 even been there, February 15th, 2006?

4 A Yes, I may have.

5 Q I remember there was one of them where he
6 throws some of the questions to you to answer?

7 A Oh, yes. I have had occasion to attend a
8 few of those brown bag lunches, that is correct.

9 Q And he says in here, we went and
10 established a fleet plan that said, you know, there
11 is no more growth. Basically we want to go get
12 these two airlines integrated?

13 CHAIRMAN NICOLAU: This is 06, you said?

14 MR. KATZ: Yes, this is February 15th,
15 2006.

16 CHAIRMAN NICOLAU: Thank you.

17 BY MR. KATZ?

18 Q "We pulled a lot of airplanes out, we
19 essentially built an airline that we think is the
20 right size for a really bad environment, and we
21 thought that was a prudent way to go build the
22 airline, so we have that now. We have what we think

1890

1 are about the right number of airplanes, assuming
2 the industry stays in the doldrums, and that is why
3 I think we are doing better than everybody else,
4 because we got ourselves the right size for this
5 environment. "

6 So I realize here he is talking about the
7 combined company, America West plus U.S. Airways,
8 but let me ask you whether you think this
9 management, this team that you admired, would have
10 come to a different conclusion that included more
11 growth than they thought was prudent for the U.S.
12 Airways America West combined airline if they were
13 operating America West separately. Did you follow
14 that? It was a long question.

15 A That was a long question, would you please
16 restate that.

17 CHAIRMAN NICOLAU: We are having trouble
18 with it, too, so --

19 BY MR. KATZ:

20 Q Let me try it again then.

21 Is there any reason to think that the
22 management team that you admired would have come to

1891

1 a different conclusion with a just America West
2 operation than they did with the combined U.S. Air
3 plus America West operation?

4 A I guess I am still at a loss for what you
5 are trying to, what you are asking.

6 Q I am asking, you know, when Parker says
7 here he made a decision with his management team to
8 focus on a really bad environment, he is talking
9 about 2005, and 2006, and they got rid of a lot of
10 airplanes, why do you think he wouldn't have done at
11 least same kind of shrinkage with America West that
12 he did with the bigger airline that had \$3 billion
13 in cash?

14 A Well, I think Mr. Parker made it very
15 evident through his attempt to acquire American
16 Trans Air, then subsequently U.S. Airways, that he
17 wasn't satisfied with staying the size that America
18 West was at the time, in addition he had
19 flexibility, if he couldn't acquire U.S. Airways or
20 American Trans Air, he had airplanes to grow. But I
21 don't think Mr. Parker was satisfied with the size
22 of the airline itself.

1892

1 He knew he had to grow and subsequently I
2 think that would have happened, although he did have
3 the flexibility that would be tied with any economic
4 possibility that came down the highway.

5 Q In that connection would you flip to tab
6 seven in that same book please?

7 A Okay.

8 Q This is an excerpt from the America West
9 2004 10K report.

10 A Okay.

11 Q And on the second page of the exhibit,

12 which is an exhibit so it is not the second page of
13 the 10K, he says in the bottom paragraph that
14 America West retired its last 737-200 in
15 January 2005, and then he emphasized flexibility in
16 the next sentence, "while this is the only
17 forecasted 2005 retirement, America West has the
18 ability to return five additional leased Boeing
19 737-300 aircraft and one leased Airbus A320 and
20 retire five owned Boeing 737-300 aircraft, if market
21 conditions necessitate such a response."

22 And at the very bottom of the page he

1893

1 referred to the 52 aircraft that have lease
2 expirations prior to the end of 2008. Don't you
3 think that this management team that you admired
4 would have considered exercising that flexibility of
5 getting rid of airplanes that had lease expirations
6 coming up?

7 A Well, in January of 2005 they did consider
8 that apparently, but by April of 2005 they
9 reaffirmed their order delivery. So four months
10 later the economy for this management team didn't
11 seem to appear to have the effect that it did in
12 January because of the improvement that was
13 portrayed by Bob Mann in earlier testimony that
14 there was greatly improving conditions from January
15 '05 through April '05.

16 Q This document that we are looking at was
17 filed at the SEC in April 2005?

18 A April when?
19 Q Does it matter?
20 A Well, I think that the reaffirmation was
21 toward the end of April in 2005, so was this -- I
22 mean this was an observation in January, that is

1894

1 correct?

2 Q You were adding 19 airplanes to all those
3 charts we looked at a few minutes ago, and yet it
4 says firm orders remaining end of year, shows only
5 13 at the end of 2005, and one at the end of 2006,
6 total of 14, with the ability to retire, let's see
7 it says in the paragraph right below that, five plus
8 one plus five is 11 airplanes that could have been
9 retired that were coming up on lease renewals. That
10 doesn't sound like any commitment to growth to me,
11 does that sound like it to you?

12 A It is flexibility that the company may or
13 may not have changed its delivery plans, depending
14 upon how the merger result was going to end up.

15 Q Would you flip to Tab 12 please,
16 Mr. Horner?

17 A Yes.

18 Q Now, this is a compilation that Phil Carey
19 put together of data on fleet from the America West
20 quarterly and annual SEC filings, and if you look at
21 the year end totals for 2000, the year 2000, at the
22 top of the table?

1 A Okay.

2 Q Through 2004 --

3 A Okay.

4 Q -- it got up to a high of 146 at the year
5 end 2001, and then was dropping straight through
6 2004 every single year, and never was it anywhere
7 close to 161?

8 A That is correct.

9 Q And if you look down into the chart that
10 Mr. Carey compiled called America West aircraft
11 returns by year, he shows that there were several
12 aircraft returned in 2002, four were returned in
13 2003, seven in 2004, none of those aircraft returns
14 had anything to do with the U.S. Air merger, did
15 they?

16 A No.

17 Q So, is there any reason to think that
18 Mr. Parker would not have taken advantage of the
19 flexibility to return the seven airplanes in 2005
20 that he actually returned?

21 A I think he was going to make that decision
22 based on the success or failure of the merger

1 transaction. And again I base my, I looked at a
2 January 12th, 2005 fleet forecast as well as the
3 reaffirmation to the investors in April of 2005, and
4 the indications were there that the fleet was going

5 to be approximately 161 aircraft by this time frame
6 out.

7 Q Well, let me show you exhibit G-4.

8 CHAIRMAN NICOLAU: That is a different
9 book is it, Mr. Katz?

10 BY MR. KATZ:

11 Q Yes, it is. Do you have that, Mr. Horner.

12 A Yes, I do.

13 Q This is exactly two weeks after the
14 announcement of the merger, and the company's
15 investor relations update says that in the language
16 by the asterisk toward the top of the page that
17 America West has negotiated to return aircraft to
18 lessor's and defer some aircraft deliveries, open
19 paren, whether or not the merger closes, and down
20 below under fleet plan update it shows the fleet
21 plan for 2005 at 143 airplanes, max, does it not?

22 A I agree.

1897

1 Q And to this number in constructing the
2 chart that you have put into evidence this
3 afternoon, to this number you added 18 airplanes to
4 calculate the projected upgrades for various people?

5 A I did that based on the premerger investor
6 relations update that was dated in April of 2005
7 which would have been what Dave O'Dell, when he
8 hired on at America West, would have assumed was
9 going to be happening to the airline.

10 Q The April 20th --

11 A April 20th investor update, the merger had
12 not been announced. After the merger was announced
13 the company obviously made changes to its plan.

14 Q And it did say that the changes were quote
15 whether or not the merger closes, right?

16 A Well, it does say that. Again this is in
17 post merger announcement format, yes, sir.

18 Q The charts that you put in, let's look at
19 Exhibit 13; looking at Captain Stravers' history
20 first, do you have that?

21 A Uh-huh.

22 Q He started out, according to this, as a

1898

1 Dash 8 first officer for a year and a half?

2 A That is correct.

3 Q Now, is this what the Dash 8 looks like?

4 A I believe that is. I have never flown a
5 Dash 8 but yes, I think --

6 Q You studied these in University of North
7 Dakota?

8 A They didn't give us the battleship
9 profiles to memorize but, yes, that appears to be a
10 Dash 8.

11 Q It had these things on the engines that go
12 around, what do you call those, propellers?

13 A That is a turboprop, yes.

14 CHAIRMAN NICOLAU: I wouldn't recognize
15 that unless you flashed it like that.

16 BY MR. KATZ:

17 Q Like a B-17, huh?
18 The airplane seats how many people, do you
19 know?
20 A No, to be honest with you I don't know
21 what the seating configuration of the America West
22 Dash 8 was.

1899

1 Q Substantially less than the Embraers that
2 U.S. Air has flown from time to time?
3 A Yes, I believe so.
4 Q And what years were they operated by
5 America West?
6 A I would have to go back and look at that
7 again, but I know that they were a prebankruptcy
8 airplane and that they went away during the
9 bankruptcy in the '90s.
10 Q The company emerged from bankruptcy in
11 1994 didn't it?
12 A Right. Now, the pilots that were hired at
13 the time had the option of either going to the 737
14 or the Dash 8. I guess the company assigned them,
15 but I was not around at that period of time so I am
16 not knowledgeable about the details of who got a 737
17 first officer position and who got a Dash position.
18 Q And you called the document career
19 progression?
20 A Correct.
21 Q But it actually traces the career history
22 for Captain Stravers and Mr. Hershey, correct?

1 A Correct.

2 Q And if we are looking at their career
3 expectation, which is another term you used in your
4 direct testimony, we would have to look out to the
5 right on this chart to the future, right?

6 A Yes.

7 Q Expectations are something that happens
8 next rather than something that has already
9 happened, right?

10 A Would you restate that question again for
11 me?

12 Q Yes, the term career expectations is
13 premised on what happens next rather than what has
14 already happened?

15 A An expectation, yes, sir.

16 Q That would be true with regard to
17 Mr. Hershey, his expectations are determined by such
18 things as the attrition at U.S. Airways of pilots
19 senior to him?

20 A Not just attrition, economic conditions,
21 management, effects of management on the company,
22 there are numerous things that are going to affect

1 expectation going forward.

2 Q Have you analyzed the attrition of pilots

3 senior to Mr. Hershey or Captain Stravers for
4 purposes of developing this series of exhibits?

5 A I have looked at various things but I just
6 wanted to measure a point in time of what has
7 happened recently, and I am not looking to look at
8 very far out with an expectation. I was just
9 looking just at an example of a period of time as to
10 what is happening. But we have talked and mentioned
11 or overheard many examples of attrition and how they
12 compare between the two airlines.

13 Q Right, and you didn't really take the
14 attrition of people senior to these pilots in this
15 series of exhibits into account, or did you?

16 A I just took the real world experience of
17 what has happened to these two in each respective
18 pilot groups.

19 Q And Exhibit 14 is called a career history
20 comparison, for two pilots hired in July 1988, and
21 that is what was analyzed was their career history?

22 A That is correct.

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1 Q Exhibit 15, you called it a career
2 progression for America West pilot Verdile, and your
3 comment as you were talking about this exhibit was
4 that his career progression flattened out, and I
5 take it that what you meant by that was that he has
6 stayed in relatively the same relative percentile of
7 the pilots on his America West list from
8 January 2005 through this month?

9 A Correct. His career flattened out as a
10 result of the merger announcement, and you know,
11 those three things that occurred to the America West
12 pilot group as a result of that; the aircraft
13 deliveries changed, the upgrading had stopped and
14 the new hiring had stopped.

15 So subsequent first officers who would
16 have anticipated an upgrade during this period of
17 time have not upgraded, captains that are junior on
18 reserve of who would have been line holders over
19 this period of time was expected, according to my,
20 you know, over the short term up to today's date,
21 would have expected to have upgraded and Dave O'Dell
22 would have expected to have pilots below him at this

1903

1 time.

2 Q The question is always compared to what,
3 the upgrades stopped, the hiring stopped, the
4 aircraft deliveries, the aircraft that -- the net
5 aircraft didn't grow, but compared to what would
6 have happened, absent the merger we would need to
7 know what would have happened absent the merger to
8 make that comparison, wouldn't we?

9 A I think that plan was in place in
10 April 2005.

11 Q So your testimony is that America West
12 would have kept growing, would have added 19
13 airplanes to the 142, an increase of over 10
14 percent, and would have ignored the fact that the

15 price of fuel increased markedly and that other
16 airlines like Northwest and Delta were going into
17 bankruptcy. Why would America West be immune to the
18 same forces that sent Delta and Northwest into
19 bankruptcy?

20 A Well, the proactive response by the
21 management of America West prompted many changes in
22 its business model to emulate the low cost carriers,

1904

1 the Jet Plus and Southwest, and get its costs in
2 line, where the various airlines that you just
3 mentioned, Northwest, Delta, American, United,
4 everybody was furloughing pilots at the time. And
5 subsequently the LCC's were the growing airlines,
6 they were the airlines that were hiring at the time,
7 they were the ones taking deliveries of aircraft at
8 the time.

9 Q So it is your testimony that America West
10 was immune to the forces that drove Northwest and
11 Delta into bankruptcy in September 2005?

12 A They weren't immune but they had changed
13 their business model to immunize themselves, so to
14 speak, from the results of what was happening to
15 those carriers, yes.

16 Q Your testimony is that contrary to what
17 Mr. Parker and his management team did with the
18 contraction of the combined airline that he would
19 have continued to have grown America West stand
20 alone, is that your testimony?

21 A Would you repeat the question, please?

22 Q That as opposed to what Mr. Parker and his

1905

1 management team did with the combined airline, he
2 would have kept adding airplanes at greater than 10
3 percent pace, to America West throughout 2005 and
4 2006, is that your testimony?

5 A I think he would have grown the airline,
6 yes, sir, absent the merger.

7 Q And when he said in the transcript that we
8 have put into evidence that absent some
9 restructuring or refinancing that he thought was
10 remote, he would have needed to go into bankruptcy
11 and go through all of the nasty things that people
12 do in bankruptcy. You think that wasn't true when
13 he said that; is that true?

14 A He said that a far time in the future from
15 when Dave O'Dell or any other pilot hired prior to
16 Dave O'Dell. In April of 2000 he said he didn't
17 lose sleep over liquidity issues. When a company
18 was posting numbers like America West was posting,
19 and he said this in April 2005, he was not losing
20 sleep, he felt that he was going to access the
21 capital market at that time.

22 Q So what prompted that change later after

1906

1 the merger was a completed, after everything was

2 approved, you know, I don't know what prompted him
3 to speculate that or make that comment. But that is
4 not what I portrayed here.

5 Q You would encourage the panel to disregard
6 the comments that he made in January about what
7 America West would have done absent the transaction;
8 is that fair?

9 A Say that, repeat that question again.

10 Q Is it fair to say that you would encourage
11 the arbitration panel to disregard the comments that
12 Mr. Parker made to those assembled groups of pilots
13 and flight attendants in the January 2006?

14 A I have heard a lot of CEOs say a lot of
15 different things to employee groups to try and
16 equalize various issues.

17 Q So the answer to my question is that he
18 wasn't telling the truth?

19 A That he was using his position to try and
20 calm some waters, yes.

21 Q You are saying he wasn't telling the
22 truth?

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1 A I wouldn't say that he wasn't truthful,
2 no. Let me restate that please. I really don't
3 know what prompted him to make the comment that he
4 did.

5 Q Let's look at Exhibit 16. When you were
6 talking about this exhibit, Mr. Horner, you said
7 that Mr. O'Dell resigned a previous position. Do

8 you know what his previous position was before he
9 went to work with America West?

10 A I believe Dave O'Dell came from Mesa
11 Airlines, if I remember correctly, but I am not
12 quite sure.

13 Q Do you know whether he resigned his
14 previous position or whether, like you, he continues
15 to hold a seniority number at Mesa Airlines?

16 A I believe Mesa did not have any furloughed
17 pilots at the time so I believe he would have had to
18 have resigned, but I don't know that unless I speak
19 with Dave personally.

20 Q So you don't know whether he resigned his
21 --

22 A No.

1908

1 Q And I think you said that, the chart shows
2 that Mr. Duncan has 200 people junior to him, 200
3 pilots junior to him. Were you also saying that
4 18 months from the time Mr. O'Dell was hired that he
5 would have 200 pilots junior to him, was that what
6 you were testifying?

7 A Yes, I would say that Dave O'Dell would
8 have expected similar career -- similar number of
9 pilots below him in the same period of time, had
10 America West continued its growth pattern.

11 Q Are you just saying that there is this
12 much growth between April of 2005 and whatever is
13 18 months after that, I guess right now,

14 18 months -- October 2006, that there would have
15 been as many pilots junior to O'Dell as there were
16 between Duncan and O'Dell? Did you follow that?

17 A I understand what you are saying. I would
18 rephrase that to say that Dave O'Dell would have
19 enjoyed the same amount of pilot protection below
20 him that Duncan experienced.

21 Q And that is based on the fact that Duncan
22 has 200 some pilots junior to him when you were

1909

1 hired?

2 A I was hired 11 months after Doug Duncan
3 and I have about 260 pilots below me.

4 Q You were hired 11 months after Duncan?

5 A That is correct, sir. And I think as of
6 the certified list the exact number is 258.

7 Q So, was that going to continue
8 indefinitely, there are always going to be 200 some
9 people junior to everybody 18 months after they are
10 hired?

11 A Not indefinitely, at least through the
12 final delivery of the aircraft that was forecast as
13 of the June investor relations.

14 Q The June investor relations had 142 --

15 A I am sorry, the April investor relations
16 which Dave O'Dell would have seen, that order placed
17 in the last part of 2004, and the forecast going
18 forward at least for the short period of time.

19 Q Because it had 161 airplanes on that

20 document?

21 A Correct.

22 Q Did you add in something, the 19 airplanes

1910

1 that you used generates 114 captaincies, in a crew
2 ratio of 6 to 1?

3 A That is correct, that was a conservative
4 number. I think the company's actual fleet plan
5 process was for 6.28 pilots per airplane but to
6 simplify things I used this.

7 Q Did you add something in for attrition of
8 pilots senior to --

9 A The data was available so I took, the data
10 was made available to both merger committees at the
11 request of each merger committee, so I used actual
12 attrition as well, and added those numbers in.

13 Q What was the actual attrition senior to
14 O'Dell?

15 A Oh, without my notes in front of me I
16 don't know the exact number, but it would have been
17 about approximately, I believe 88 total in the year
18 2005 and 2006.

19 Q 88?

20 A Correct.

21 Q So you added 88 to 114 and got 202?

22 A Well, no I didn't add all 88 because for

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1 the captaincies there was attrition that were not
2 captains, so I did not add the captains. So that
3 number would be different, but for Dave O'Dell's
4 chart I used all the attrition.

5 Q Okay. For chart No. 16 you would have
6 used 202, because that is not trying to track
7 captains?

8 A Correct.

9 Q And the captain charts you are referring
10 to are like No. 18?

11 A That is correct. Then I only used captain
12 attrition.

13 Q You are tracking --

14 A Actually, in chart 18 I didn't use any
15 attrition for-- I used actual upgrades below
16 captains Oyague and Kubic.

17 Q On 19 what did you do?

18 A Actual, what I did there was on projected
19 captain upgrades I used the six captains per
20 airplane as well as captain retirements, the actual
21 captain retirements that occurred in the years 2005
22 and 2006.

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1 Q Some portion of the 88 related to
2 captains --

3 A Correct.

4 Q -- attrition?

5 A Correct.

6 Q And you added that portion to that the
7 114?

8 A Just the captains, yes, sir.

9 Q And Exhibit 17 is where you added the
10 total 202 for O'Dell?

11 A I think the number was 19 aircraft with
12 228 positions for the aircraft, and then actual
13 retirements of people that have resigned or retired
14 or became deceased.

15 Q So that is 316?

16 A Yes.

17 Q And the line isn't a straight line, is it
18 designed to show the plot points of when the
19 airplanes entered service and when the attrition
20 actually occurred?

21 A The attrition that actually occurred is
22 plotted in there accurately. The few bumps are the

1913

1 known delivery dates and then in the year 2006 I
2 just assumed one aircraft per month of the 19, so
3 the allotment of 19.

4 Q And if America West had gone into
5 bankruptcy and contracted, the line wouldn't go up
6 like that, it would go down below the red line,
7 wouldn't it?

8 A I would assume so yes. Without plotting
9 the data, but --

10 Q Looking at Exhibit 20, Mr. Horner, usual
11 comments indicated that you expected a seven to

12 nine-year captain check out rate to continue, absent
13 the merger, is that a correct understanding of your
14 testimony?

15 A Yes, sir, historically, and that would be
16 indicative, that is Tab 22 -- did you choose Tab 22
17 or --

18 Q I chose Tab 20.

19 A Tab 20 is actually my average years to
20 upgrade plot.

21 Q 20 is the number of upgrades?

22 A That is correct.

1914

1 Q So, looking at number 22 then have you
2 done any calculations to attempt to measure what
3 kind of block hour growth or aircraft growth would
4 be necessary to sustain a seven-year average check
5 out in the future?

6 A No, I did not go out into the future. I
7 used the historical data of what an America West
8 pilot has experienced to date.

9 Q But would you agree that the time it takes
10 to check out in the future relates to the attrition
11 that is going to occur on the people senior to you
12 and the number of captain positions that are
13 available in those future years?

14 A Well, again attrition, growth, there is
15 going to be a number of variables that are going to
16 affect the average captain to upgrade.

17 Q Growth or contraction, all of those

18 variables would come into play?
19 A Absolutely, yes.
20 Q And you didn't do any arithmetical
21 exercise to analyze that on the actual America West
22 list, to see what would happen in the future, did

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1 you?

2 A No, I didn't. I can't predict the future
3 too far out, but I did want to look at the
4 historical data and draw conclusions from what an
5 expected upgrade time period would be.

6 Q And if the future analysis showed that it
7 would take 12 percent growth in block hours or
8 aircraft per year to sustain a seven-year captain
9 check out rate, wouldn't you agree that would be an
10 unreasonably optimistic hope for America West?

11 A It would depend on again a number of
12 variables of which I can't predict either, 10
13 percent growth was being originally talked about by
14 the company, and although they did retract a little
15 bit from that they didn't retract much.

16 But yes, they were showing growth. I
17 don't know what the actual numbers would be to
18 project out in the future to sustain that, but again
19 I was looking for historical data.

20 MR. KATZ: That is all I have for
21 cross-examination.

22 Maybe I should make this an exhibit. We

1 will get a copy --

2 CHAIRMAN NICOLAU: You don't have to, the
3 panel knows what a Dash 8 looks like.

4 MR. KATZ: That is fine.

5 MS. POWELL: Could we take a couple
6 minutes?

7 CHAIRMAN NICOLAU: Sure, Lisa. Fine.
8 (4:06 p.m. -- recess -- 4:15 p.m.)

9 CHAIRMAN NICOLAU: Any redirect?

10 MS. POWELL: Just literally one or two
11 questions.

12 CHAIRMAN NICOLAU: Do you want to wait for
13 Mr. Freund?

14 MS. POWELL: Yes.

15 CHAIRMAN NICOLAU: Ms. Powell said she had
16 one question.

17 REDI RECT EXAMI NATION

18 BY MS. POWELL:

19 Q One 2-part question. Would you please
20 turn to Exhibit 14.

21 Mr. Katz discussed how attrition would
22 affect an upward slope of a curve. Would you assume

1 that there has been some attrition from U.S. Airways
2 from 2001 to 2005, or do you in fact know that there
3 has been attrition from U.S. Airways from 2001 to
4 2005?

5 A Oh, absolutely.

6 Q Did that attrition manage to produce an
7 upward slope for Mr. Monda during that period of
8 time?

9 A No, unfortunately, no.

10 Q Nothing further.

11 RE CROSS EXAMINATION

12 BY MR. KATZ:

13 Q The reason you didn't show any upward
14 slope on the curve is that you didn't show
15 Mr. Monda's percentile on the entire list, isn't
16 that true, you simply showed his percentile of the
17 active --

18 A That is correct. This was just active
19 pilots.

20 Q Had you showed his percentile on the
21 overall list he would have in fact moved up to a
22 higher percentile?

1918

1 A There was over 1800 pilots on furlough in
2 this list.

3 Q Well, can't you visualize what the
4 arithmetic would be if you removed people who were
5 senior to him by attrition that he would be higher
6 in percentile on the overall list?

7 A On the overall list, but again we are
8 measuring active pilots.

9 MR. KATZ: Nothing further.

10 MS. POWELL: Nothing further.

11 MR. FREUND: We would like to probably end
12 the day here, if that is all right.

13 MR. KATZ: I have a couple housekeeping
14 things items that I would like to take care of. I
15 don't have a problem with not producing another
16 witness today, if you would like to do that, but you
17 had said you would give us a CD of the entire Doug
18 Parker talk to the mechanics.

19 MR. FREUND: Yes, DVD, right, we have been
20 over here and not elsewhere, so that may have to
21 wait until Monday to get those done.

22 MR. KATZ: Where is the DVD?

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1 MR. FREUND: We have it here.

2 MR. KATZ: You have not been able to burn
3 a copy?

4 MR. FREUND: Yes, we have been busy trying
5 to this case.

6 CHAIRMAN NICOLAU: Off the record.

7 (Discussion off the record.)

8 MR. KATZ: There is information that we
9 provided with regard to the computer program that
10 Rikk Salamat used that we didn't get that we have
11 discovered now that Rikk has been through the
12 materials that you did give us, the CD or DVD,
13 whatever that was, and that is the output from the
14 program. We basically gave you the output for the
15 testimony.

16 MR. FREUND: I don't think we got any

17 output on the DVD that we got.

18 MR. KATZ: It was definitely on there. It
19 was what later became the exhibits, and we would
20 like to see that. We can't really make sense of the
21 stuff anyhow, so we would also like the contact
22 information for Rikk to talk to Joe Meyers --

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1 MR. FREUND: That I can give you. And I
2 will check on that other.

3 MR. KATZ: Yes, you will see if you look
4 at what we gave you that it is there.

5 And the final thing is that if we are not
6 going to be using Exhibit B-10, 11 and 12 of the
7 America West pilots we would ask that maybe remove
8 them from the books and they be returned.

9 MR. FREUND: I think that is appropriate.
10 (Discussion off the record.)

11 CHAIRMAN NICOLAU: Okay, 10:00 tomorrow.

12 (Whereupon, at 4:24 p.m., the hearing was
13 recessed, to be reconvened at 10:00 a.m., on Friday,
14 January 12, 2007.)

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1	C O N T E N T S	
2		
3	WITNESS	EXAMINATION
4	LEE WILLIAM FIFE	
5	By Mr. Freund	DX 1839, RDX 1854
6	By Mr. Katz	CX 1849
7		
8	KEVIN SCOTT HORNER	
9	By Ms. Powell	DX 1856, RDX 1916
10	By Mr. Katz	CX 1883, RCX 1917
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