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1                   BEFORE THE ALPA ARBITRATION BOARD

2   - - - - -X

3 THE CREW MEMBERS OF US :

4 AIRWAYS, :

5                   Plaintiff, :

6           vs. :

7 THE CREW MEMBERS OF :

8 AMERICA WEST AIRLINES, :

9                   Defendant. :

10 - - - - -X

11

12                                   HEARING VOLUME 13

13

14                   GEORGE NICOLAU, Chairman

15                   CAPTAIN STEVE GILLEN, Pilot Neutral

16                   CAPTAIN JIM BRUCIA, Pilot Neutral

17

18                                   Washington, D. C.

19                                   Tuesday, January 16, 2007

20

21 REPORTED BY:

22                   DONALD R. THACKER

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1           Hearing before the ALPA Arbitration Board, on  
2 Tuesday, January 16, 2007, in Washington, D. C., at

01-16-07ARBfinal  
3 the Mayflower Hotel, 1127 Connecticut Avenue,  
4 Northwest, at 9:36 a.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 US Airways

15

16 JEFFREY R. FREUND, ESQ.

17 LISA POWELL, ESQ.

18 ROGER POLLAK, ESQ.

19 Bredhoff & Kaiser, PLLC

20 805 15th Street, Northwest, Suite 1000

21 Washington, D.C. 20005

22 On behalf of America West Airlines

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1 P R O C E E D I N G S

2 CHAIRMAN NICOLAU: I think we are ready to  
3 go.

4 MR. FREUND: We will call as our second to  
5 last witness Captain Russell Payne, and in  
6 connection with that we are going to distribute  
7 Exhibits 30, 31 and 32.

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 Russ, in a loud clear voice so that we can  
15 all hear you over the sound of the air conditioning  
16 system and the jackhammers, could you give us your  
17 full name please?

18 A Russell John Payne.

19 Q And where are you presently employed,  
20 Russ?

21 A America West Airlines.

22 Q In what capacity?

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1 A I am a captain on the Airbus 320.

2 Q Take us, please, as we have with all of  
3 our pilot witnesses, through your career in  
4 commercial aviation?

5 A Sure, after being a flight instructor for  
6 a couple years I flew cargo for a company called  
7 AmeriFlight for two years. From there I was hired  
8 at Wings West Airlines, which was an American Eagle  
9 carrier, and until I came to America West Airlines  
10 in 1997, December 1st, 1997, and I have been here  
11 since with the Airbus.

12 Q In a minute we are going to look at your  
13 career progression more precisely, so we will skip  
14 over for the moment your career progression at

15 America West. But in addition to working at America  
16 West have you served on any ALPA committees during  
17 your tenure there?

18 A Yes, I have been on the -- I was on our  
19 grievance committee for approximately two years.  
20 From there I was asked to join your negotiating  
21 committee, which I did and was involved in the  
22 negotiation of our current contract for

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1 approximately two years, and I have been a voting  
2 member of the merger committee since July of 2006.

3 Q Russ, turn to Exhibit 30, please, if you  
4 would?

5 A Okay.

6 Q In prior testimony through other pilot  
7 witnesses we have showed in charts showing the  
8 comparative career tracks of pilots at America West  
9 hired essentially in the same class as pilots at US  
10 Airways. Did we attempt to do that for you as well?

11 A Yes.

12 Q Were we able to find a pilot hired at US  
13 Airways in or around the same class that you were  
14 hired on in at America West?

15 A No, there were no pilots hired during 1997  
16 at US Airways, the year that I was hired at America  
17 West.

18 Q So let's look at Exhibit 30 and let's  
19 first look at, first of all this exhibit was  
20 constructed in precisely the same way that the prior

21 exhibits were constructed regarding career  
22 histories.

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1 A That is correct.

2 Q Okay. Let's take a look at that exhibit  
3 for a moment. The pink, if I have got it right,  
4 line represents your career track at America West,  
5 is that right?

6 A Correct.

7 Q So you started, according to this chart,  
8 on December 1st, 1997. Can you just track us along  
9 your path and show us when it was that you checked  
10 out as a captain?

11 A Sure. As you can see by the upward slope  
12 I have continued to move up the seniority list,  
13 it -- the rise decreases a little bit during  
14 2000-2001 and then continues upward from there.

15 And in spite of that I was still able to  
16 check out, complete my upgrade training,  
17 approximately three weeks before my seven-year  
18 anniversary with the company and I have remained a  
19 captain and made it almost to the 15th percentile.

20 Q So you checked out as captain in what  
21 year?

22 A That would have been 2004.

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1 Q So in earlier charts we have shown Captain  
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2 Stravers' career path, and he is near the top of the  
3 seniority list in terms of relative seniority, and  
4 we have shown Dave O'Dell's career path, and he is  
5 at the bottom of the pilot list in terms of relative  
6 seniority.

7 From looking at this and from what you  
8 just said I take it that your career path is kind of  
9 representative of someone right smack in the middle  
10 of the seniority list in terms of relative seniority  
11 as we sit here today is that right?

12 A That is correct.

13 Q Now, given that we could not find a US  
14 Airways pilot who was hired in or around the same  
15 class time, class date that you were hired, what do  
16 the blue and then yellow sort of encircled with blue  
17 or surrounded by blue lines reflect?

18 A Well, what we did is found two pilots that  
19 are in consecutive order on the US Airways list, the  
20 first pilot Kelsey Taylor, was hired in the class  
21 that would have been prior to mine, hire date.

22 Q In other words the last US Airways class

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1 of pilots prior to your class in December of '97?

2 A Yes, essentially, that is the way it is,  
3 he was one of the last hired before they stopped  
4 their hiring.

5 And then the second pilot, Curt Jensen,  
6 was hired in the first class after US Airways  
7 started a class up after the period in which I was

8 hired.

9 Q So the blue line reflects Mr. Taylor's  
10 career, really the blue and the yellow line, I take  
11 it, reflects Mr. Taylor's career progression and  
12 digression from the time of his hire, is that right?

13 A That is correct, because they are one  
14 number away, so essentially the blue and the yellow  
15 line overlap each other after the 1998 period.

16 Q And then the yellow line reflects  
17 Mr. Jensen who was hired in November of 1998?

18 A That is correct.

19 Q Now, I see for a brief moment in time  
20 Mr. Jensen and therefore presumably Mr. Taylor --

21 MR. KATZ: I think it is Ms. Taylor.

22 BY MR. FREUND:

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1 Q Ms. Taylor, thanks, Ms. Taylor were  
2 momentarily higher on the relative seniority basis  
3 than you are; is that right?

4 A I am sorry, say that again.

5 Q Ms. Taylor and Mr. Jensen, there was a  
6 brief moment in time when they had higher relative  
7 seniority on their seniority list than you did on  
8 your seniority list?

9 A Oh, yes, for a brief period of time up to  
10 the 20th percentile, their line does go above mine.

11 Q Then obviously it drops back down --

12 A Yes.

13 Q -- into the furlough range, correct?

14 A Yes.

15 Q Just to be clear, are you sure that Ms.  
16 Taylor and Mr. Jensen are literally one number apart  
17 from each other or are they in the class just before  
18 and just after your class?

19 A They are one number away from each other,  
20 they are next to each other, so they are consecutive  
21 on the US Airways seniority list.

22 Q I am going to leave that subject and ask

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1 you to turn to Exhibit 31?

2 A Okay.

3 Q At the end of last week there was a little  
4 discussion about contract costing data, and I am not  
5 going to reiterate the sense of that discussion now.  
6 And yesterday, if you recall, Dan Akins testified  
7 about the pilot earning model.

8 I want to ask you whether in preparation  
9 for your testimony today you have examined the  
10 America West and US Airways contracts in a number of  
11 areas and whether the next set of exhibits take us  
12 through some of those areas?

13 A Yes, I have examined some of the exhibits  
14 that are in our Exhibit Number 32 that our are  
15 contract comparisons of various sections of the US  
16 Airways and America West contracts.

17 Q Let me just reiterate. In addition to  
18 just reviewing those sections, at least with respect  
19 to the America West contract, you were part and



20 parcel of the negotiating committee that was  
21 involved in negotiating the contract that is in  
22 place today, correct?

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1 A That is correct.

2 Q And you are not on the negotiating  
3 committee, you are not on the Joint Negotiating  
4 Committee, are you?

5 A No, I am not.

6 Q Turning first to Exhibit 31, tell us,  
7 please, what Exhibit 31 reflects.

8 A 31 is basically some calculations that we  
9 have done showing differences in costs to bring the  
10 US Airways pilots up to parity with the America West  
11 pilots.

12 Q Why don't you talk us through how this  
13 exhibit is laid out and how the math works?

14 A Sure. It is pretty basic math that we  
15 have done here. If you look at the first section  
16 you will see this deals with compensation. So what  
17 we have done in this case is we have taken the  
18 America West pay rates, the US Airways pay rates,  
19 just taken the difference per hour, calculated that  
20 out using 1000 credit hours, pay hours, per year,  
21 and come up with a number on the difference between  
22 the two contracts.

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1           Then in the next --

2           Q    Why don't we just work our way across the  
3 first set of boxes?

4           A    Sure.

5           Q    And then I think everything else probably  
6 follows from that?

7           A    Sure. They are all done the same, those  
8 sections are done the same. So you can see in the  
9 first section it shows 320, 737 captain pay America  
10 West is 141.85 and that is the top rate for America  
11 West captains. The top rate for the US Airways  
12 pilots in that same aircraft is 124.88; subtract the  
13 two you get a differential of 16.97, and then just  
14 simply multiply that by a thousand hours gives you  
15 \$16,970 per year difference.

16          Q    And then the next line does the same thing  
17 and produces for first officers \$8320 per year  
18 difference?

19          A    That is correct, for the first officer  
20 differential.

21          Q    Now, walk us through the calculation that  
22 follows, please?

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1           A    Okay. In this case for the US Airways,  
2 actually for both of these, we used the US Airways  
3 Exhibit E-3 and the pilot counts from July 1st,  
4 2006, that was in this exhibit. And starting with  
5 the first line it shows that there were 914 737-A320

6 captains. We take that number multiply it by the  
7 16,970 from the chart above, and that gives use an  
8 amount of \$15,510,580.

9 The second line is the 107 737-A320 first  
10 officers. Multiply that again by the \$8320, equals  
11 \$7,546,240.

12 We then get those two total wages, add  
13 them together in the third line, and that shows the  
14 total wage improvement to the US Airways pilots of  
15 \$23,056,820 per year.

16 On the fourth line the additional defined  
17 contribution plans which we both have, of 10  
18 percent, we add that in, that equals an additional  
19 \$2,305,682 per year, for a total annual additional  
20 value of \$25,362,502.

21 Q That is an annual cost, if I understand  
22 it, the annual cost to bring US Airways narrow body

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1 pilots up to the current America West pay rate; is  
2 that correct?

3 A That is correct.

4 Q Let's just stop for a moment, because I  
5 remember way back three millenia ago one of the US  
6 Airways pilots testified about a change in the  
7 America West 401(k). Plan do you recall that  
8 testimony?

9 A Yes, I do.

10 Q I think the message that, I can't remember  
11 which witness it was that testified, I think the

12 message that the witness was trying to convey was  
13 that as a consequence of the merger the America West  
14 401(k) plan was improved. Can you tell us what the  
15 America West 401(k) plan was before the most recent  
16 change and what the most recent change did?

17 A Sure, the -- as a result of our contract,  
18 our 2004 contract, we were receiving a 7 percent  
19 addition to our 401(k) that was not matched or,  
20 correction, that the pilots did not have to match,  
21 it was directly from the company. In addition to  
22 that we also received a 3 percent match from the

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1 company. As long as you put in at least 6 percent  
2 of your own money, it was a matching.

3 Q So you had a 50 percent match up to an  
4 additional 3 percent contribution by the company?

5 A That is correct, so essentially as long as  
6 you did that additional amount you would get the  
7 full 10 percent. The change that came about when  
8 the transition agreement was in effect is they  
9 eliminated the matching portion of it and they just  
10 made it a straight 10 percent.

11 Q So before the change, any pilot who made a  
12 6 percent contribution into, from his or her money  
13 into the 401(k) plan would receive a 10 percent  
14 contribution from the company, just as was the case  
15 under the US Airways contract; is that correct?

16 A That is correct.

17 Q And although under the US Airways contract

18 there was no requirement for pilot contribution,  
19 correct?

20 A That is correct.

21 Q And the only change that was made is that  
22 the requirement to make that 6 percent contribution

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1 by the pilot was eliminated?

2 A Yes.

3 Q Okay. I am sorry, I interrupted the flow  
4 here when you were going through these numbers.

5 You had come up to an annual, total annual  
6 additional value to bring the US Airways narrow body  
7 pilots up to the America West contract of  
8 \$25,362,502. And then what does the last line show,  
9 and what is the major math error that is reflected  
10 in the last line?

11 A Okay. What we did here is we simply took  
12 the date, the earliest date at which we believed  
13 that we would have a joint contract available --  
14 contract, excuse me, available us, and that would be  
15 July 1st '07, of course of this year, and also the  
16 first available date at which we believed the US  
17 Airways pilots would have had the ability to improve  
18 their contract based on the expiration or actually  
19 it is the amendable date of their contract.

20 Q We are going to come to there amendable  
21 date later when we look at some of these contract  
22 exhibits, but when is their amendable date?

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1           A     There amendable date is the last day of  
2 2009; 12-31-2009.

3           Q     What is the theory of going out to 2011  
4 for purposes of this analysis?

5           A     Because most contract negotiations take  
6 approximately 18 months to two years.

7           Q     So is that, is the number for that  
8 four-year period simply four-year multiple of the  
9 \$25 million, some odd number, at the top of it?

10          A     Yes, that is exactly -- well, that is not  
11 exactly it. It is at four times the annual cost.  
12 When I was reviewing this document this morning  
13 before coming down I realized I made a math error  
14 and I was, I credited the US Airways pilots with \$2  
15 too high.

16          Q     So it should be 08 instead of 10, is that  
17 right?

18          A     That is correct.

19          Q     Now, this isn't intended to try to show  
20 any present value calculations or anything complex,  
21 it is simply a nominal dollar difference for the  
22 four-year period reflecting the effect of the

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1 different wage rates on US Airways narrow-body  
2 pilots, correct?

3           A     That is correct.

4           Q     Now, it is the case that there are some US  
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5 Airways rates that are higher than America West  
6 rates, correct?

7 A Correct.

8 Q And is that what the next boxes, and the  
9 material below those boxes show?

10 A Yes, it essentially works the same way as  
11 the chart and the calculations above. Do you want  
12 to go through each one and run through them across  
13 --

14 Q I think the running across is the same but  
15 why don't you tell us, just make sure we know what  
16 the wage rates are that you are working with?

17 A Sure. This aircraft is for the 757 rates  
18 that are the differences between our contract and  
19 theirs. So, again, we go across the top pay rate  
20 for the 757 captains, on the America West side is  
21 141.85, for the US Airways pilots it is 141 --  
22 correction 144.02, and the differential is \$2.17,

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1 again with the same 1000 hour -- 1000 pay hours the  
2 calculation comes to \$2170.

3 Q And you did the same thing for the first  
4 officer rates?

5 A Yes, and the differential there was a  
6 little bit higher, \$4.76, so that comes out to a  
7 differential of \$4760.

8 Q Okay, and then the math below is the same  
9 math as the math that you described in connection  
10 with the narrow bodies?

11 A Yes, we used the same exhibit from the US  
12 Airways side, E-3, and 87 757 captains, 84 757 first  
13 officers on the America West side, during that date,  
14 and multiplied that out.

15 Q Let's just skip over the interim steps and  
16 go straight to the last two lines, the total annual  
17 additional value and the total improvement for that  
18 four-year period?

19 A The total annual additional value is  
20 \$647,493, and the total improvement using the same  
21 time period as above, is \$2,589,972.

22 Q And that is an improvement to the America

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1 West side of the aisle, correct?

2 A Correct.

3 Q So that is a number that sort of compares  
4 or offsets the \$101 million number that accrues or  
5 flows to the US Airways side, correct?

6 A Yes, if you wanted to get the difference  
7 you would subtract the two of those numbers from  
8 each other.

9 Q Exhibit 31 has some other sections in it  
10 that look at other portions of the contract. Why is  
11 it that you pulled out these particular sections to  
12 describe in this kind of detail?

13 A These are the two sections that generally  
14 drive most of the costs for the contract  
15 improvements between our contract and theirs.

16 Q Okay. So then let's look at Roman numeral  
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17 II, vacations, and tell us what this little portion  
18 of the exhibit display is?

19 A Basically this is showing the difference.  
20 We have -- the America West pilots have 31 days per  
21 year maximum vacation, the US Airways pilots is  
22 21 days per year.

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1 Q Okay, and if you could take us through,  
2 please, the exercise that sub little A through H  
3 show, please?

4 A Sure. The first one is we get one  
5 vacation day which on the America West pilot  
6 contract is worth 3.67 credit hours. We then get  
7 that, multiply it by 10 days --

8 Q 10 days is the differential between the  
9 21 days on the Airways side and the 31 days on the  
10 America West side?

11 A Correct, that gives us a differential of  
12 36.7 credit hours.

13 Q That is for every US Airways pilot,  
14 correct?

15 A Yes.

16 Q Okay.

17 A Yes. We then again we took the head count  
18 from the US Airways exhibit E-3 for the total  
19 pilots, and multiplied -- which is 2611, multiplied  
20 that by the 36.7 credit hours, that gives us 95,824  
21 credit hours.

22 Q What is the next step you do, please?

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1           A     We essentially take the 95,824 credit  
2 hours and convert that into an additional heads  
3 required, using 1000 hours a year, we actually  
4 rounded down in this case to 95 additional pilots  
5 that would be required to make up the difference  
6 between the two contracts.

7           Q     So just to stop on that point for a  
8 moment, the additional number of vacation days  
9 available, that will be available to the US Airways  
10 pilots as a result of coming to the America West  
11 accrual rate, produces more vacation days obviously  
12 for the US Airways pilots but doesn't necessarily on  
13 its face provide them with any additional  
14 compensation directly by reason of those additional  
15 vacation days; is that right?

16          A     Right. This tends to drive head count,  
17 because of course those pilots are not available  
18 during those days so they have to be flown, and it  
19 drives up the number of heads that are required,  
20 number of pilots required to compensate for that.

21          Q     And that is why we did this head count  
22 analysis?

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1           A     Correct.

2           Q     All right, so let's continue with you that

3 analysis, please?

4 A Okay, so in -- on line E, we took the 95  
5 heads, essentially divided that in half. We  
6 assigned 48 to captains times 1000 hours, times the  
7 pay rate of 141.85, for the America West top pay  
8 rate came out to \$6,808,800. 47 first officers at  
9 1000 hours times 93.61 pay rate, and that equals  
10 4396.70.

11 Q Now, before we go off of that portion of  
12 the exhibit, in point of fact, if there is  
13 additional vacation days available to US Airways  
14 pilots, they would be available to them from all the  
15 way from the A330 down to the EMB-190s, correct?

16 A Sure.

17 Q All of those pilots would have additional  
18 days?

19 A Sure, yes.

20 Q And if one were doing a very precise  
21 analysis of what the additional head count cost was  
22 I take it you would have to make some judgments

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1 about how many additional A330 captains and first  
2 officers were required, how many additional narrow  
3 body captains and first officers were required, and  
4 how many additional 190 captains and first officers  
5 were required, correct?

6 A That is correct.

7 Q So this doesn't purport to be precise  
8 determination about the additional head count cost;

9 is that right?

10 A That is correct.

11 Q Why is it that we used the narrow-body  
12 number?

13 A Because that is where most of the fleet is  
14 for both sides, most of our pilots are in the narrow  
15 body fleet.

16 Q All right. Let's continue with the math,  
17 please?

18 A Okay, going to line F, the total  
19 additional hourly pay for additional required head  
20 count that is the adding the two numbers above for  
21 the captains and first officers, gives us  
22 \$11,208,470.

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1 And then line G the total additional head  
2 count costs, including 30 percent fringe roll up,  
3 since these are additional pilots coming on board,  
4 additional numbers of pilots, we need to add the  
5 fringe costs that the company is going to experience  
6 as a result of that. So we multiply that 30 percent  
7 times the 11,000,000 in the line above, gives as you  
8 total of \$14,571,011.

9 And then line H is the total additional  
10 head count costs, again using the same time period  
11 as we did in the previous section, over that  
12 four-year period it is \$58,284,044.

13 Q I think you misspoke --

14 A Yes, correction, \$58,284,044.

15 Q Now, let's just pause for a moment before  
16 we go on to the next heading.

17 You said already that these aren't dollars  
18 that are going to go to the US Airways pilots, who  
19 will get the additional vacation credit, but where  
20 are the 95 heads going to come from who are going to  
21 be required in order to provide that additional head  
22 count, are they going to be pilots hired off the

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1 street?

2 A Well, yes, they would be pilots hired off  
3 the street or, you know, in the case of the US  
4 Airways pilots, their furlough pilots would be  
5 returning back to active pilots.

6 Q So the additional vacation drives in and  
7 of itself, without anything else happening, drives a  
8 recall of 95, again on our rough calculations,  
9 drives an additional recall of an additional 95 US  
10 Airways pilots and produces \$14,000,000 roughly in  
11 payments to them each year, that is right?

12 A That is correct.

13 Q What is the, in your experience, and we  
14 are going to come to this in a broader basis,  
15 broader way in a moment, as an experienced  
16 negotiator what is the consequences, in your  
17 judgment, to the ability of the combined pilot group  
18 to produce additional dollars to the benefit of  
19 America West pilots by reason of having to devote  
20 head count dollars to bring US Airways pilots up to

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21 America West's vacation standards?

22 MR. KATZ: I am going to object to that

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1 question. That calls for pure speculation.

2 MR. FREUND: I don't know that it calls  
3 for speculation. He is an experienced negotiator.  
4 I mean I think it self evident --

5 CHAIRMAN NICOLAU: Yes, I was going to say  
6 I don't think you have to ask it.

7 BY MR. FREUND:

8 Q That is fine. Let's turn to Roman III,  
9 please.

10 A Okay, the last two items we put on here  
11 were just a couple of examples of other sections of  
12 the contract, where the America West is an  
13 improvement over the US Airways side. This is --

14 Q Let's talk at Roman III first?

15 A Okay.

16 Q And probably everyone in the room with the  
17 exception of me knows what this is, but just why  
18 don't you help me understand it?

19 A Okay. This has to do with minimum pay  
20 guarantees. This is a section in our contract which  
21 is called a long rate rig, Section 4-E.

22 Essentially what this does it is a rig

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1 that will kick in for anytime a pilot is scheduled

2 for a layover of 24 hours or greater. The purpose  
3 of this essentially was to stop the company from  
4 sending pilots out on 28, 30-hour layovers and not  
5 getting paid for it. So you would essentially be  
6 losing a calendar day off sitting in the hotel and  
7 not getting any pay.

8 So the way this works, since our minimum  
9 daily average pay is 515, what this -- for each duty  
10 day, this will add an additional duty day to that  
11 pairing.

12 So it is probably best to explain it in an  
13 example. Let's say you had a four-calendar-day  
14 pairing that was three duty days. In that case, and  
15 in between somewhere was a 30-hour layover, so you  
16 were essentially doing nothing for that period of  
17 time.

18 What this would do, well, normally that  
19 pairing without this rig would pay 1545 with our 515  
20 average pay. What this rig would do is it kicks in  
21 an additional duty day on top of it so it forces it  
22 into a 21-hour pay credit for that four days that

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1 you would then have been away.

2 Q Just to be clear, again I am sure everyone  
3 in the room understands this, the fundamental  
4 consequence, fundamental purpose and consequence of  
5 a rig like that or really any rig is not necessarily  
6 to provide pay to a pilot; is that right?

7 A That is correct. It is essentially there

8 to force the company into building efficient  
9 pairings, is really the goal that you are trying to  
10 achieve.

11 Q And did you find anything comparable to  
12 the long rate rig in the US Airways contract?

13 A No.

14 Q And finally Roman IV, deadheading, again  
15 everybody in the room, I think, and this time  
16 including me, knows what deadheading is, but so the  
17 record is full and complete, why don't you describe  
18 it?

19 A Sure. Deadheading is essentially when you  
20 are traveling in this case for the airline, if they  
21 are trying to reposition you, where essentially you  
22 are sitting in the back of the airplane, instead of

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1 flying the actual airplane itself. It is done for  
2 various reasons, scheduling and irregular operations  
3 and some pairings are actually billed out with  
4 deadheads in them just to get pilots into position  
5 of where they need to be.

6 Q I guess actually you are mentioning  
7 irregular operations, it is worth just again serving  
8 and getting into the record, deadheading and rigs  
9 and the like, while not designed to produce  
10 additional pay, in a normal operation, in fact wind  
11 up producing additional pay when operations fall  
12 apart and there are irregular operations, don't  
13 they?



14 A Yes, they do.

15 Q So, I think it sets it out here in Roman  
16 IV as to what the comparable sections provide but  
17 why don't you just tell us and describe it to us?

18 A Sure. On the America West contract we are  
19 paid, we receive 100 percent pay and credit for any  
20 deadheading we do. US Airways receive 50 percent  
21 pay and they get no credit for any deadheading.

22 MR. GILLEN: That would apply towards a

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1 maximum cap for the month, is that what you are  
2 looking at?

3 THE WITNESS: Yes. I assume a lot of  
4 times that is what it runs into, and I assume that  
5 is how it would work on their side, although I don't  
6 know that for a fact.

7 BY MR. FREUND:

8 Q Having reviewed these four sections let's  
9 turn very briefly to Exhibit 32, and I am not going  
10 to have you go through these sections in detail, but  
11 can you first just tell us what -- a broad brush,  
12 what these are and where you obtained them?

13 A Yes, these are just various sections of  
14 the contract that have to do with items that are  
15 negotiated that would affect pay and quality of life  
16 issues, and we just put some of these documents here  
17 so that we could see a comparison, so the panel  
18 could see a comparison of how our contract compares  
19 with the US Airways contract.

20 Q And the source of these materials?  
21 A These are off of the ALPA Web site. These  
22 have all been provided, or the comparisons have been

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1 done by ALPA's economic and financial analysis  
2 department.

3 Q Again we are going to skip through these  
4 with some speed but, and we will start with page 1,  
5 I think page 1 we have seen already, I believe that  
6 was an exhibit that the US Airways pilots put in?

7 A Yes, that is correct.

8 Q I take it this is just what it says it is,  
9 hourly wage rates, correct?

10 A That is correct, hourly wage rates for  
11 both airlines.

12 Q Page 2 again, please, without going into  
13 great detail, just tell us in general terms what it  
14 shows?

15 A Sure. This is the monthly pay cap and  
16 minimum guarantee. One of the big items here is of  
17 course, since the line guarantee you generally get  
18 the credit that you bid so, that -- the minimum, you  
19 know, it is just a minimum amount in case some of  
20 the irregular ops or something were to occur, but as  
21 far as this biggest effect would be in the reserve  
22 side, because if your reserves are not flying over

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1 the guarantee, this is all they are going to get  
2 paid. And as you can see we have a higher guarantee  
3 than the US Airways pilots.

4 Q That is 77 hours?

5 A That is correct.

6 Q As opposed to 72 and 62?

7 A That is correct.

8 Q Page 3, please?

9 A Vacation pay, this is actually a section  
10 where the US Airways pilots contract is an  
11 improvement over ours. They get for their daily  
12 vacation credit, they get an additional five  
13 minutes.

14 Q Okay. Page 4, please?

15 A Page 4 shows the increments of the  
16 vacation days. As you can see we max out at 31 days  
17 after 15 years. The US Airways pilots max out at  
18 21 days, and right now all of their active pilots at  
19 this moment, their length of service is above the  
20 15 years, so they are all at the maximum pay, but  
21 you can also see if you look at the lower end of the  
22 chart, that our beginning vacation credit or days

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1 actually, is much higher, 21 versus 7.

2 This is not going to have much of an  
3 effect until their furlough pilots start returning  
4 to the line that have less longevity, but this will  
5 also be an improvement for them by quite a few days.

6 Q Page 5, please?

7 A Deadheading provisions we have already  
8 covered this. We get full pay and credit, they get  
9 50 percent, no credit.

10 Q On page 6, please?

11 A Duty time ratios and duty guarantees,  
12 these, we have one that is better, they have one  
13 that is better. Our daily credit, minimum pay  
14 credit of 515 average, theirs is five average,  
15 five-hour average. And that is the section where  
16 our long rate would affect that, that we just talked  
17 about earlier.

18 Q Page 7?

19 A Yes, this is just essentially duty  
20 limitations. How long you can be on duty, and just  
21 look through the numbers there and see the  
22 differences.

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1 Q Okay, page 8?

2 A Minimum break of duty, is essentially the  
3 minimum time that you will be off either at a  
4 layover or -- let's see, or at your base. It  
5 includes both of those generally.

6 Q Let's just pick a few of these to  
7 highlight the difference?

8 A Sure, so if you look at the base, what  
9 this means is that when you are returning from a  
10 trip the minimum rest you must receive in that  
11 situation for the US Airways is eight hours,

12 30 minutes, for ours it is either 10 hours for line  
13 holders or 11 hours for reserve pilots.

14 Q And then you can follow that pattern  
15 across to make whatever comparisons, make whatever  
16 judgements the panel wants to make about the  
17 relative merits of one versus the other?

18 A That is correct.

19 Q Page 9, please?

20 A Days free of duty per month, this is  
21 essentially a minimum number of days off you will  
22 get in a month, as you can see we have a better

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1 number of days off, they are, for the US Airways  
2 pilots it is 11 days, for both their line holders  
3 and reserves. For the America West pilots it is  
4 12 days off in a 30-day bid period, 13 days off in a  
5 31 for line holders and reserves.

6 And then if you also look at the immovable  
7 days, we refer to them as golden days, the reserve  
8 pilots on the US Airways side are only four  
9 immovable days and we have 10. Those are days where  
10 the company, basically the company can take those  
11 away from you, you know, and make you fly into those  
12 days, and use some of the days you originally  
13 thought you had scheduled off.

14 Q Page 10, please?

15 A Page 10 is the sick leave accrual rate and  
16 maximum accruals, maximum accruals assuming you  
17 don't call in sick, because we have a drop-down

18 provision if you do, but we have a 5.30, five hours,  
19 30 minutes per month and the US Airways is five  
20 hours per month.

21 Q And page 11, please?

22 A This is training pay, the credits you will

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1 receive during training. As you can see ours is  
2 higher than the US Airways. That is the daily  
3 credit you can receive in pay.

4 Q Then finally at page 12, I think you have  
5 already talked about it but at least we talked about  
6 what is on page 12 on the US Airways side, why don't  
7 you go over that again and also talk about the  
8 America West side?

9 A Sure. The top line is the America West  
10 contract and as you can see ours was, has already  
11 been amendable, 12-30-06, and actually we have an  
12 early start to negotiating provision in our contract  
13 which allowed us to actually to open section 6  
14 negotiations six months prior to that. Of course we  
15 didn't go into that because we are now involved in  
16 joint negotiations, and our contract is 36 months  
17 duration.

18 If you look below that you will see the  
19 various changes to the US Airways contract, where  
20 the original contracts, looks like back in '98, was  
21 when it became effective, and since then they have  
22 signed a series of Letters Of Agreement that have

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1 extended that out.

2           If you look at that bottom line over to  
3 the right where it has that bit of addition where it  
4 says 61 plus 60 plus 12, those are the additions.  
5 So essentially they will have been under this  
6 contract for 133 months, and theirs is not amendable  
7 until 12-31-2009.

8           Q     Now, I know Dan is going to want to ask  
9 you on cross-examination whether you think it is  
10 fair and appropriate for the America West, I am  
11 sorry for the US Airways pilots, to get the benefit,  
12 the higher benefit, higher wages, better contract  
13 terms that are provided for under the America West  
14 contract, and what is your answer to that?

15           A     Is it fair for them to be brought up to  
16 our pay rates, absolutely. As a matter of fact, I  
17 don't think the contract would be ratified unless  
18 that did happen.

19           Q     Do you also think it is appropriate for  
20 the panel to take into account the consequences of  
21 the moving up to the higher pay and better benefits  
22 under the America West contract?

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1           A     Sure, because the ALPA merger policy  
2 speaks directly to this and it says that they should  
3 avoid a windfall to one group at the expense of the  
4 other, and you know, because we are having to take a  
Page 31

5 certain amount of this money and use it to bring US  
6 Airways pilots up to our contract before we can get  
7 any improvements, you know. That portion of the pie  
8 is going to benefit only them, which is going to  
9 leave less money for all of the pilots to benefit.

10 MR. FREUND: That is all the questions I  
11 have.

12 MR. KATZ: Why don't we take a break for  
13 20 minutes.

14 CHAIRMAN NICOLAU: Very good.

15 (10:22 a.m. -- recess --10:45 a.m.)

16 CHAIRMAN NICOLAU: Ready when you are,  
17 Dan.

18 MR. KATZ: Oh, okay.

19 CROSS EXAMINATION

20 BY MR. KATZ:

21 Q Captain Payne, Exhibit 30, please?

22 A Okay.

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1 Q This is a calculation that you have  
2 attempted to do where for each year you took the  
3 pilots percentage from the bottom of the active  
4 pilots at that time, and showed that in the graph,  
5 is that right?

6 A From the bottom of the --

7 Q Right, so for instance this point in the,  
8 looks like the year 1999 you got the yellow point at  
9 20 percent, that is Kurt Jensen?

10 A It is actually both of them.



11 Q Because they are right next to each other?

12 A Sure.

13 Q And they are 20 percent of the way from  
14 the bottom of the active pilots at US Airways at  
15 that point in time, right, is that what you are  
16 trying to say?

17 A Yes.

18 Q And then at that point in time you were  
19 18 percent through the pink line, is that about  
20 right?

21 A About right.

22 Q And then by the next year you had moved up

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1 to 30 percent, and Taylor and Jensen had stayed at  
2 20 percent?

3 A That is about right.

4 Q And so it is really a history of the  
5 percentile for these pilots that is shown?

6 A Correct.

7 Q You haven't made a projection of where  
8 people would be at some point in the future, have  
9 you?

10 A No, this is trying to show the premerger  
11 expectations and what was occurring with the airline  
12 before. So no, it is no forecast.

13 Q It is just a history?

14 A Just a history, yes, that is correct.

15 Q Exhibit 31, please. For the record, it is  
16 true that there isn't a merged collective bargaining

17 contract at this time, isn't it?

18 A Correct.

19 Q And because there isn't a contract we  
20 don't know what the provisions of it are going to  
21 say when it gets done; is that true?

22 A Correct.

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1 Q And is there some reason that you would  
2 assume that the America West pilots would be immune  
3 from the forces that have driven down the pay rates  
4 at American, United, Delta, Northwest and USAir?

5 A Yes.

6 Q What is that?

7 A Well, I think it is pretty evident with  
8 the testimony that Ed Albert put on this week that  
9 our air airline was doing just fine, and by the end  
10 of the year had quite a bit of, amount of cash, and  
11 in addition to that there are analysts out now  
12 saying that 2007 is going to be an exceptional year.

13 Q So you are basing your response to that  
14 question on Ed Albert's testimony; is that right?

15 A On -- yes.

16 Q Don't you think that the people who  
17 invested in this merger, put hundreds of millions of  
18 dollars into it, and the management of the airline,  
19 took into account that there were different pay  
20 rates on the A320 when they planned the merger?

21 MR. FREUND: I guess I am going to object,  
22 Dan, it calls for speculation. If he knows the

1 answer to that question, I suppose he can answer it,  
2 but I am not sure how he could know what they did or  
3 didn't take into account. I don't care if he  
4 answers it, but it just doesn't seem to be moving  
5 the process very much.

6 CHAIRMAN NICOLAU: Well, if you don't care  
7 if he answers it, he can answer it.

8 BY MR. KATZ:

9 Q Go ahead, Captain Payne?

10 A I have no idea when they decided to put  
11 this merger together.

12 Q So you think management thought they could  
13 pay the USAir pilots one pay rate on the A320  
14 indefinitely and they could pay the America West  
15 pilots a different pay rate for the A320  
16 indefinitely, that is what you thought?

17 A No, I think they planned on bringing the  
18 two airlines together under a single contract.

19 Q With a single pay rate?

20 A With a single pay rate, yes.

21 Q For both sides?

22 A Yes, I mean they have indicated that is

1 their goal.

2 Q Haven't they also indicated that they

3 never expected either pilot group to take a pay cut?

4 A I don't think I have heard them state  
5 that.

6 Q So you don't know what they thought about  
7 that?

8 A No, I don't. I mean they have talked  
9 about they wanted cost neutral contract. That is  
10 what I have heard them state, is that they want a  
11 cost neutral contract.

12 Q Have you looked over the project Barbell  
13 report?

14 A No.

15 Q So you don't know whether there is  
16 indications in there that the company planned on the  
17 cost of the merger having one pay rate for both  
18 sides of the house?

19 A No, I don't.

20 CHAIRMAN NICOLAU: You have got to say yes  
21 or no.

22 MR. KATZ: He said, no, I don't.

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1 CHAIRMAN NICOLAU: I didn't hear it.

2 BY MR. KATZ:

3 Q It was kind of quiet.

4 So you tried to calculate the additional  
5 cost to the company of paying both pilot groups the  
6 same pay rates, is that what Exhibit 31 does.

7 A For pay rates specifically Roman numeral I  
8 does that.

9 Q You list here A320 captains, \$141.85. Is  
10 that what you are getting paid, Captain Payne?

11 A Am I getting paid that?

12 Q Yes.

13 A No, I am on I believe 10-year pay.

14 Q Are there any copilots getting \$93.61 an  
15 hour at America West?

16 A I believe we have some.

17 Q How many?

18 A I don't know.

19 Q More than a handful?

20 A No, it is not a large number.

21 Q At the 15-year pay rate, top of scale, for  
22 both captains and co-pilots, isn't it, that you have

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1 shown under America West?

2 A Yes, it is, as it says at the top, top of  
3 scale.

4 Q And would you agree with Dan Akins who  
5 said yesterday that it is an unusual pilot contract  
6 to have the same pay rate for the A320 and the 757?

7 A I have not studied enough contracts  
8 recently to know whether that is true or not.

9 Q Well, you were on the negotiating  
10 committee for two years weren't you?

11 A Yes, I was.

12 Q Did you look at the contracts of American,  
13 United, Delta, Northwest, USAir, in connection with  
14 your work on the negotiating committee for the

15 America West pilots?

16 A Yes, and back at that time generally that  
17 aircraft, the 757, if that is what you speaking to,  
18 was generally in a different grouping for the  
19 airlines that had differential pay. I just don't  
20 know what the current contracts are, and I know  
21 there have been a lot of renegotiations that have  
22 gone on. So I don't know currently what it is, what

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1 is the norm.

2 Q But at that time it was at least 10  
3 percent more to fly the 75, wasn't it?

4 A I don't know. I would be guessing if I  
5 were to say yes. I don't know what the differential  
6 was.

7 Q Would you anticipate that the merged  
8 contract would be a blended pay rate like the  
9 America West contract?

10 A It is my understanding that we are trying  
11 to keep the differential pay rates.

12 Q I am sorry, I don't understand your  
13 answer?

14 A We are trying to keep the different pay  
15 rates for different aircraft groups.

16 Q The Joint Negotiating Committee is trying  
17 to have a higher pay rate for the 757 than the A320?

18 A That is my understanding, yes.

19 Q Okay, I just wanted to make sure I  
20 understood your answer?

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21 A Okay.  
22 Q And you have used here on the first page

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1 of Exhibit 31, 2007 pay rate for America West and  
2 the 2004 pay rate for US Airways, haven't you?

3 A Yes, because that is the pay rate that is  
4 in effect for the dates we are talking about here.

5 Q As an experienced negotiator, Captain  
6 Payne, would you agree that the pay rates in U.S.  
7 airline pilot contracts are simply some numbers that  
8 are written down that hold until the next time there  
9 is an opportunity to negotiate them up or down?

10 MR. FREUND: I guess I am going to object  
11 on the same grounds that --

12 CHAIRMAN NICOLAU: Isn't that the way most  
13 contracts operate?

14 BY MR. KATZ:

15 Q For the last five years if there is some  
16 leverage for pilots to negotiate it up they  
17 negotiate it up, and if there is some opportunity  
18 for the company to negotiate them down they  
19 negotiate them down, and that is what you have  
20 observed, Captain Payne?

21 A Yes.

22 Q And in fact, the assumption that for four

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1 years the US Airways pilots would be operating under  
Page 39

2 the terms agreed to in 2004 is quite a leap, isn't  
3 it?

4 A Say that again, the --

5 Q The assumption that you have made in this  
6 exhibit that the US Airways pilots would be  
7 operating under their 2004 pay rates through July 1,  
8 2011, is quite a leap; isn't that true?

9 A For the US Airways pilots, you are asking  
10 me, that --

11 Q Right.

12 MR. FREUND: I guess I am not --

13 THE WITNESS: I don't know how they -- I  
14 am not -- their contract does not become amendable  
15 until the last day of 2009, so they would have to  
16 negotiate a new contract to change those rates,  
17 assuming they were around long enough to do that.

18 BY MR. KATZ:

19 Q Now, you heard the testimony of our  
20 witness who talked about the comparison, there is a  
21 side-by-side comparison of section 1 of the two  
22 contracts in our volume E, it is Exhibit 2, were you

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1 here for that testimony?

2 A Yes.

3 Q And the witness, was it you, Bob, did you  
4 talk about that section?

5 CAPTAIN ROBERT KIRCH: Yes.

6 BY MR. KATZ:

7 Q Thanks. Captain Kirch explained, pointing  
Page 40



8 to several provisions of the USAir contract on the  
9 left side of the page and the America West contract  
10 on the right side of the page, that the section 1 in  
11 the USAir contract was stronger than the America  
12 West pilots contract. First of all let me ask you,  
13 do you recall that testimony?

14 A I recall testimony about section 1 of the  
15 contracts, I don't know if I recall the details, but  
16 I recall it being discussed.

17 Q And do you agree as a former America West  
18 pilot negotiator that the US Airways pilot's section  
19 1 is stronger from a pilot's standpoint than the  
20 America West section 1?

21 A I would not be able to make that  
22 assumption. I would leave that to our attorneys to

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1 determine. That is a very complicated section and  
2 the way it is written, I wouldn't make that  
3 assumption.

4 I don't know, I honestly don't know. I  
5 mean, I know they, I know the US Airways pilots  
6 thought they had some protections and section 1 when  
7 the or whatever the section was when Republic or  
8 jets were sold to Republic, but that was lost in  
9 arbitration. So I honestly don't know.

10 Q Do you disagree with Captain Kirch's  
11 testimony that the US Airways section 1 would stop  
12 the acquisition of Delta by US Airways unless there  
13 is a waiver granted, and the America West pilot's

14 section 1 would not?

15 MR. FREUND: I would object to the extent  
16 it calls for a legal conclusion, but that he can  
17 answer it. I don't have any problem with that.

18 THE WITNESS: I have not read it and I  
19 have not studied it, and I don't know, and I  
20 wouldn't even try to state an opinion on that.

21 Like I said, I think it is a legal matter  
22 that I would leave up to our attorneys and I would

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1 ask that question of our contract administrator  
2 before I would try and render an opinion on that  
3 section.

4 BY MR. KATZ:

5 Q In calculating the sums on page 1 of your  
6 Exhibit 31 did you include any money for profit  
7 sharing?

8 A No.

9 Q Did you include the value of stock granted  
10 by the company to the pilots?

11 A No.

12 Q Did you include the value of stock options  
13 that the company might grant to the pilots?

14 A No.

15 Q Would you agree on this 401(k) where you  
16 have additional defined contribution plan costs, you  
17 talked about that issue?

18 A Uh-huh.

19 Q That was changed for the America West

20 pilots in the transition agreement, wasn't it?

21 A As I discussed, the changes were made, as  
22 I stated earlier in my testimony.

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1 Q I am not asking about what the changes  
2 were just yet. I was saying how they were  
3 effectuated, and they were done as a part of the  
4 transition agreement; isn't that correct?

5 A That is correct. The changes to the  
6 America West regarding the 7 percent and the 3  
7 percent match?

8 Q Right?

9 A Yes; correct.

10 Q And you would agree that it is a benefit  
11 to the pilots to get the 10 percent contributed to  
12 the plan, whether or not they wish to make a  
13 contribution on their own?

14 A It is a benefit to whom?

15 Q To the pilots to get that 10 percent  
16 without having to make any contribution of your own?

17 A Yes.

18 Q For instance if you wanted to take that  
19 money and put it in some other investment, you could  
20 do that?

21 A I suppose that is an option. But we were  
22 trying, we were working at, you know -- the purpose

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1 of this was to calculate costs to the company. That  
2 is not a cost to the company, the 10 percent is  
3 still the 10 percent essentially. That was the  
4 purpose of this document.

5 Q And if you want to calculate the value of  
6 the pay differential for America West pilots you  
7 would need to use their actual longevity to be  
8 accurate, wouldn't you?

9 A Yes.

10 Q The second page of Exhibit 31 has some  
11 information on other provisions aside from  
12 compensation, and here again you have used the top  
13 of scale for captains and copilots, haven't you, to  
14 do the dollar calculation of the value of these 95  
15 heads; isn't that right?

16 A That is correct, because currently all the  
17 active pilots on US Airways longevity is 15 years or  
18 greater so they would all go to that top, 31 days.

19 Q And I think you indicated on direct  
20 examination that the furlonghees at US Airways would  
21 get the benefit of this \$14,571,000 per year, right?

22 A By being called back earlier on line to

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1 active positions, correct, because they get the jobs  
2 before any new hires come on board.

3 Q But they don't get the jobs as captains,  
4 do they?

5 A No, they don't, but if you are going to

6 add 95 heads and more flying you are going to have  
7 to add both captains and first officers.

8 Q The furlougees won't get the \$14.5  
9 million a year, the furlougees would be coming back  
10 as first officers, every single one of them, right?

11 A That is correct.

12 Q Except some of them may be coming back as  
13 Embraer 190 first officers, and not even get the  
14 93.61; true?

15 A True, some of them may be getting a higher  
16 rate than that, as we saw with the last recall, some  
17 went into the 757.

18 Q Where is it written that these 48 captain  
19 positions that would be created as a result of  
20 applying these vacation provisions would all go to  
21 US Airways pilots at all?

22 Let me ask the question this way, Captain

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1 Payne, because you are hesitating about answering.  
2 If there are 48 additional captaincies created in  
3 the merged airline with the merged contract, with  
4 the merged seniority list, isn't it true that the  
5 merged contract and the merged seniority list would  
6 allocate the opportunities to secure these 48  
7 positions?

8 A Yes, but like I said, I am looking at what  
9 the cost to the company, the additional cost to the  
10 company is going to be on this. That was the point  
11 of --

12 Q I thought you were talking about a benefit  
13 to the USAir pilots. So you are not talking about a  
14 benefit to the USAir pilots in Exhibit 31?

15 A We are talking about additional costs to  
16 the company that the US Airways pilots would benefit  
17 from.

18 Q But there is not a translation of a dollar  
19 for dollar of these costs that you have calculated  
20 to the company to benefits to the US Airways pilots,  
21 is there?

22 A I am not sure if I understand that.

CR  
DRT

2200

1 Q Some of these captaincies can go to  
2 America West pilots, they do go to America West  
3 pilots --

4 CHAIRMAN NICOLAU: That is Mr. Katz's  
5 point. If there are new captaincies they are going  
6 to come from somewhere in the list, not from  
7 furlougees, and if you have a merged list one of  
8 those new captains may be USAir and another may be  
9 an America West.

10 THE WITNESS: Sure, but the point of this  
11 document was to show the bringing the US Airways  
12 pilots up to our 31 days creates 10 additional days  
13 for all of their pilots. And because of that that  
14 creates an additional cost. So it is an overall  
15 cost to the company that they have to then use, in  
16 you know, whatever the size of that pie is, X  
17 amount, whatever this is, goes just toward bringing

18 them up to that amount. I mean that is point of  
19 this document, I am not quite sure what -- if I am  
20 answering your question.

21 CHAIRMAN NICOLAU: Well, the confusion was  
22 whether it was a cost to the company or a benefit to

CR  
DRT

2201

1 the USAir pilots and the answer is that whoever  
2 benefits, it is a cost to the company.

3 THE WITNESS: That is correct, that is the  
4 point of this document, yes.

5 CHAIRMAN NICOLAU: That is okay. That is  
6 what Mr. Katz was looking for.

7 BY MR. KATZ:

8 Q Thank you, Mr. Nicolau, thank you, Captain  
9 Payne.

10 Minimum pay guarantee, Section 4, other  
11 than trips to Hawaii, Captain Payne, are there any  
12 trips that America West has that have a scheduled  
13 layover in excess of 24 hours?

14 A Sure.

15 Q How many?

16 A I don't know. That is why we didn't -- I  
17 don't have that data and I didn't put a cost to it,  
18 but yes, there is.

19 Q Are there more than a handful of trips  
20 like that?

21 A I would say absolutely.

22 Q But you don't know how many?

CR  
DRT

1           A     No, I don't, but it is not uncommon for --  
2 it is not uncommon for there to be layovers 24 hours  
3 and greater in our pairings.

4           Q     And there is not a provision, according to  
5 your testimony, like this in the US Airways  
6 contract?

7           A     Not that I am aware of.

8           Q     But there are trip rigs in the US Airways  
9 contracts?

10          A     Yes.

11          Q     And the trip rigs are better at US  
12 Airways, they are 3-1/2-to-1 instead of 3.75-to-1,  
13 isn't that part of your testimony too?

14          A     Yes, it is.

15          Q     And doesn't the USAir pilot who goes on  
16 a -- you talked about a four-day trip that would be  
17 96-hour trip, get paid at a minimum 96 hours divided  
18 by 3-1/2, under the trip rig?

19          A     Yes.

20          Q     And in anticipation of this question I did  
21 the calculation on my handy-dandy Milano calculator  
22 and came up with 27.4. So you can check it if you

CR  
DRT

1 like, but for the purposes of this question, I want  
2 you to accept the 27.4, subject to your checking it  
3 later, and tell me whether the pilot is going to get  
4 paid better on the trip rig or on your Section 4(e)?



5           A     You know, without doing the calculation,  
6 I -- it could -- trip rigs can have the same effect  
7 as this long rate rig. So there are other  
8 provisions and other ways to get, I mean this was an  
9 example of something that we had that they didn't  
10 have.

11                     That is why we put into evidence the rest  
12 of the documents under 32, so that the panel could  
13 see the other differences that are there. Some are  
14 better, some are worse, but these differences in  
15 these sections which affect pairing bills and tend  
16 to force the company to be more efficient, do not  
17 drive the costs up to the extent that the large  
18 sections we have like pay rates, you know, and  
19 vacations which we are talking tens of millions of  
20 dollars.

21                     This has a cost to it and it is associated  
22 and you could sit down and probably do a long,

CR  
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2204

1 drawn-out costing analysis of exactly whose is  
2 better. But again the point of this document was to  
3 show the big cost items that are in the tens of  
4 millions of dollars and over a period of the  
5 four-year period, over a hundred million dollars.

6           Q     But this item Section 4(e) is not a big  
7 item, is it?

8           A     It is not a huge item, not compared to  
9 these other two sections above it. The other two  
10 sections above it are the big items.

11 Q The way you explained this section 4(e) it  
12 would generate 5-1/2 times 4, or 21 hours of pay,  
13 for a four-day trip, because that your min days,  
14 5-1/2, right?

15 A Yes, but I am not implying -- I am not  
16 implying that every trip is billed to long rate will  
17 pay an additional 5.15 because it is, our pay is  
18 based on an average. So you know, the company, what  
19 it does is it forces the company to have a more  
20 efficient flying. I mean that is generally the  
21 purpose of rigs, is to force the company into more  
22 efficient flying.

CR  
DRT

2205

1 It does sometimes cost them in soft  
2 credit, but not always, but it will generate more  
3 efficient flying. And this is one of the provisions  
4 that we have that they don't, that helps to do that.  
5 You can also attack it -- you are exactly right.

6 Q Trip rig does the same thing?

7 A Yes, you can attack it from a trip rig,  
8 there are other ways of doing it but this is  
9 something in addition to ours, that the US Airways  
10 side does not have, that we were trying to point  
11 out.

12 MR. KATZ: That is all the questions I  
13 have.

14 MR. FREUND: I have just a few.

15 CHAIRMAN NICOLAU: A Mr. Freund few.

16 MR. FREUND: I am getting a bad rap. I

17 think I have actually be pretty good --

18 CHAIRMAN NICOLAU: Well, Katz gets the rap  
19 on coming back in terms of the time he takes. We  
20 have got to be fair here.

21 MR. FREUND: That is only fair, turn about  
22 is fair play.

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DRT

2206

1 REDIRECT EXAMINATION

2 BY MR. FREUND:

3 Q So Russ, a couple of Dan's questions I  
4 think demonstrated some confusion and I just don't  
5 want to leave the record in a confused posture.

6 Looking at page 1 of Exhibit 31, he asked  
7 you about the longevity of various, I mean  
8 collectively or individually America West pilots in  
9 a series of questions which I think were intended to  
10 demonstrate that not every America West pilot is in  
11 the top longevity scale, right?

12 A Correct.

13 Q Now, that being the case, which we will  
14 accept as absolutely true, looking at the bottom  
15 portion of page 1, that is the additional cost to  
16 the company from increasing the 757 rates to the US  
17 Airways 757 rates, we used their, or we assumed for  
18 purposes of calculating the additional costs, that  
19 all of the America West pilots who would get that  
20 higher rate were at the top of their scale, correct?

21 A Correct.

22 Q Since they are not, that \$647,000 number  
Page 51

CR  
DRT

2207

1 is higher than it would actually be, correct?

2 A It should be, yes.

3 Q In contrast, at the top of the page where  
4 we were calculating the additional costs to bring  
5 the US Airways pilots to the America West narrow  
6 body wage rate, again we used the top of the scale,  
7 correct?

8 A Correct.

9 Q And it is the case, is it not, that with  
10 respect to the current active pilot work force at US  
11 Airways, that each and every one of those pilots  
12 would be at the top of the scale?

13 A Correct.

14 Q Now, turning to page 2, again just to  
15 clear up, I think you may have cleared it up in  
16 response to Mr. Nicolau's questions, but just to be  
17 clear, page 1 was a direct -- was designed to show a  
18 direct dollar benefit to the US Airways pilots?

19 A Correct.

20 Q Page 2 was intended in the main to show a  
21 cost to the company of going to the America West  
22 vacation, or at least Roman II of page 2 was

CR  
DRT

2208

1 designed to show a cost to the company of going to  
2 the America West vacation accrual rate, correct?

3 A Correct.

4 Q And in doing that you explained on direct  
5 examination that some of the additional bodies, some  
6 of the additional head count, some of the additional  
7 staffing that would have to take place, would be  
8 among really all positions at the airline, A330  
9 captains, 757-6 captains, all the way down the line,  
10 and that as a consequence in order to just sort of  
11 round all of that out we used the narrow body rates  
12 to calculate the costs to the company, correct?

13 A Yes, because that is the largest fleet.

14 Q Now, Dan in his cross-examination -- and  
15 that was the number that we put on the page and the  
16 purpose of putting it on the page, correct?

17 A Correct.

18 Q Dan in his cross-examination pointed out  
19 quite correctly that in order to produce enough  
20 pilots to create that additional staffing the  
21 furlougees who would be returned would be, come  
22 from, would come in not necessarily at the narrow

CR  
DRT

2209

1 body captain rate. In fact, it is unlikely that  
2 they would, correct?

3 A Correct, although their last bid indicated  
4 that they moved even into the 757.

5 Q But the fact remains, putting aside the  
6 costs to the company, the fact remains that the  
7 creation of 95 additional heads will produce a  
8 return to work of 995 additional US Airways pilots

9 who were on furlough, correct?

10 A Yes, based on the calculations.

11 MR. FREUND: That is all I have got, thank  
12 you.

13 MR. KATZ: Let me follow up on that in  
14 just one area.

15 RE CROSS EXAMINATION

16 BY MR. KATZ:

17 Q Looking at these vacation figures, the  
18 company, if there were no furlougees to return to  
19 work as pilots, the company would need to staff its  
20 flying with new hires, wouldn't it?

21 A Correct.

22 Q So you testified on direct about merger

CR  
DRT

2210

1 policy saying that the panel should avoid windfalls  
2 to one group at the expense of the other. How is it  
3 an expense to the America West pilots to have  
4 furlougees from US Airways recalled instead of  
5 hiring people off the street?

6 A I don't think I ever said that it was.

7 MR. KATZ: Thank you.

8 MR. FREUND: That is all.

9 CHAIRMAN NICOLAU: Thank you, Captain.

10 THE WITNESS: Thank you.

11 MR. FREUND: If we can take five minutes  
12 we will call our next witness.

13 MR. KATZ: Very good.

14 CHAIRMAN NICOLAU: Okay.

01-16-07ARBfinal  
(11:20 a.m. -- recess -- 11:27 a.m.)

15

16

17

18

19

20

21

22

MR. FREUND: So there seems to be an ethic in these seniority integration cases of putting a pilot witness on to do what lawyers usually do, which is to explain the rationale and garner the facts.

I am not sure it advances the ball much, and we are going to do that in our briefs, but I

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2211

1 would n't want to deviate from the historic pattern  
2 of ALPA merger policy seniority integrations by not  
3 putting on a witness who would testify to the merger  
4 committee's thinking.

5 So next witness is Ken Stravers who is  
6 sitting in the chair.

7 Whereupon,

8

KENNETH JOHN STRAVERS

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

11

DIRECT EXAMINATION

12

BY MR. FREUND:

13

Q Ken, would you state your full name for the record please?

14

A Kenneth John Stravers.

15

Q Where are you employed?

16

A America West Airlines.

17

18

Q Take us, like all witnesses before you,

19

will you take us please through your commercial

20

aviation employment history getting us up to today?

CR  
DRT

21           A     My flying career was through general  
22     aviation, flight instructing, then flying Part 135

2212

1     air taxi charter, at which point I was hired in 1985  
2     by IASCO, International Air Service Company. I  
3     served with them as a 727 second officer for just  
4     about two years, was hired in 1987 by Hawaiian  
5     Airlines, hired as a Dash 7 first officer,  
6     subsequently moved over to a second officer on the  
7     DC-8, remained with them for two years until I was  
8     hired in July 1989 by America West Airlines.

9           Q     And I am just trying to page to an  
10    exhibit, I don't know that everybody needs to take  
11    it out, but we had previously introduced Exhibit 13  
12    which I will pass you a copy of, which reflects your  
13    career history at America West. I would just like  
14    you to take a look at it and walk us through it in  
15    terms of your career there?

16          A     Yes, I was, as I had stated, I was hired  
17    in July of 1989. We were hired, my class was hired  
18    on to the 737 as first officers, the second day of  
19    class the company representative came in and told us  
20    that they had just acquired, I forget if it was 6 to  
21    8 aircraft, they were all Dash 8 turboprop aircraft,  
22    so congratulations, you are now Dash 8 pilots.

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DRT

2213

1                           From that point we began our training and  
  Page 56



2 continued through on the Dash 8, until I could take  
3 the first vacancy after the one year lock on, which  
4 occurred in 1991, I took the 757 first officer.

5           If you look at the chart you can see a  
6 downturn in my career progression, that was during  
7 the bankruptcy of '91 which occurred in August 9,  
8 '91. Due to the downsizing which normally occurs in  
9 any bankruptcy, I was displaced and had the option  
10 to go to either the 737 first officer, the A320  
11 first officer or the 747 second officer. And I  
12 chose to take the 737 due to the fact that it was  
13 the largest aircraft in the fleet providing the best  
14 lifestyle for bidding purposes.

15           So I stayed on the 737 until the A320s  
16 started out numbering the 737's, at which time I  
17 switched over in 1997 and became an A320 first  
18 officer, of which I upgraded less than or just  
19 approximately a year later, in August of 1998, and I  
20 have been an A320 captain in our force ever since.

21           Q   How many years did it take to you check  
22 out to captain?

CR  
DRT

2214

1           A   Nine years and one month.

2           Q   You have heard testimony, we have put on  
3 testimony earlier about the progression to captain,  
4 historically at America West and we showed that in  
5 the main, putting aside the early years when  
6 progression to captain was pretty quick, but in the  
7 main the career path to captain has historically

8 seven years, to you recall that testimony?

9 A That is correct.

10 Q Looking back over the time you have been  
11 at America West how does your class, classes around  
12 you fit into that?

13 A Our class was the longest class for  
14 upgrade that was, took the first available upgrade  
15 to captain in the history of America West, up until  
16 that point in 1998. Everyone prior us to had  
17 upgraded to a captain seat in less than nine years.

18 Q And since your class?

19 A Since our class, up until recently, we  
20 have been back into the normal 7, 7-1/2 year  
21 progression, and there has been just a couple  
22 classes since then that have surpassed the 7-year

CR  
DRT

2215

1 mark.

2 Q Give me that exhibit back again, please,  
3 before I lose it.

4 Putting to one side for now your flying  
5 history at America West, have you also held ALPA  
6 positions at America West?

7 A Yes, I have.

8 Q Would you tell us about those please?

9 A I was the vice chairman on the strike prep  
10 committee. I served as the associate editor for the  
11 Phoenix flight magazine, which is our in-house  
12 publication for our pilot group. I wrote a column  
13 for the magazine every month.

14 I was also on the scheduling committee,  
15 member of the scheduling committee. I was a member  
16 of the PBS committee, preferential bidding  
17 committee, and I was briefly on the negotiating  
18 committee before I was asked to be the chairman of  
19 the merger committee in May of 2005.

20 Q And you have been chair of the merger  
21 committee ever since?

22 A Yes, I have.

CR  
DRT

2216

1 Q Ken, in connection with this case, has the  
2 America West merger committee prepared a document  
3 which sets forth the underpinnings and rationale of  
4 its seniority integration proposal?

5 A Yes, we have.

6 Q Let's pass out exhibit Exhibit 33.

7 Showing you what has been marked as  
8 Exhibit 33, is that the document prepared by the  
9 America West merger committee setting forth its  
10 rationale for its seniority integration proposal,  
11 the approach you took?

12 A Yes, it is.

13 Q I am not going to spend a lot of time with  
14 you on this but I would like to kind of run through  
15 the high points of it with you. Let's begin with  
16 paragraph 1. Paragraph 1 sets out the relevant  
17 portion of ALPA merger policy, it sets the  
18 standards, is that correct?

19 A Yes, it does.

20 Q And I want to direct your attention to the  
21 first sentence of that policy. Could you just read  
22 it for us, please?

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DRT

2217

1 A Yes, the merger representatives shall  
2 carefully weigh all the equities inherent in their  
3 merger situation.

4 Q Does that tell, does that suggest to you  
5 that the obligation is to look only to the equities  
6 driven by the seniority list or all the equities  
7 driven by the merger itself?

8 A All the equities that are involved in the  
9 merger itself.

10 Q And then set down below that are the  
11 standards to look to?

12 A Yes, the five tenets of ALPA merger  
13 policy.

14 Q Turning to Roman numeral II, headed  
15 Factors Underlying the America West Seniority  
16 Integration Methodology. Is it fair to say that  
17 these are factors, these are broad-based factors  
18 which would be applicable in your judgment to any  
19 merger situation?

20 A Yes, this will encompass any merger that  
21 takes place.

22 Q Let's look at paragraph A, and you tell us

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DRT

2218

1 fundamentally what paragraph A is intended to  
2 encompass?

3 A You are looking at the realistic career  
4 expectations of both pilot groups, absent the  
5 merger, what could they expect, how could their  
6 career progression have been expected on each side  
7 of the equation, and realizing, taking into account  
8 whether the airline was growing or contracting.

9 Q And subparagraph B?

10 A Once again you are looking at all aspects  
11 of the merger, and your premerger earning capacity  
12 of each pilot group, and that is collectively.

13 Q So the object is to try to preserve the  
14 premerger earning capacity of the group as a whole  
15 through the seniority integration?

16 A Correct.

17 Q Now, subparagraph C is an interesting  
18 subparagraph. I wonder if you could describe the  
19 committee's understanding of that standard?

20 A Well, if you look at subparagraph C you  
21 have to realize that you are not going to have  
22 a mirror image when you bring two airlines together.

CR  
DRT

2219

1 There is going to be equities that may be different  
2 on one side versus the other. What you are trying  
3 to do in this is to keep it fair and equitable.

4 You want to make sure that even though you  
5 have different equities, but you don't have it where

6 it is predominantly more on one side than the other,  
7 you are not offsetting an advantage to one group at  
8 the expense of the other.

9 Q And so if one group gets something that is  
10 available to that group by reason of the merger but  
11 the other group just can't get that benefit, they  
12 ought to get a different benefit?

13 A There should be another benefit that they  
14 get on their side to keep the balance even.

15 Q Paragraph D and E describe the underlying  
16 notions of ratio integration, correct?

17 A That is correct.

18 Q What was the America West pilot's view of  
19 the role of ratioing in seniority integration?

20 A Well, when we look at all of the equities  
21 that were brought to the merger, and the differences  
22 on both sides, to come to what we feel is a fair and

CR  
DRT

2220

1 equitable integration, the ratio is the only way to  
2 take into account the differences in the airlines,  
3 everything from the age of the airlines to the  
4 contract differences, the work rules, to the pay  
5 scale.

6 Q And paragraph E talks about who should be  
7 ratioed?

8 A Correct.

9 Q Again this is applicable not just to this  
10 merger but to mergers generally?

11 A Yes, generally to any mergers. We look at

12 the tenets and we apply that to the active pilots as  
13 well as the furlough pilots and realize that the  
14 furloughed pilots are not actively flying, they  
15 inherently have the greatest risk because they are  
16 on the street at the time. So, therefore, their  
17 risk, they should not improve or reduce their risk  
18 at the consequence of another group of pilots that  
19 is active on the other side.

20 Q Turning to subparagraph 2 of ALPA rules,  
21 let me ask you a very precise question. Would you  
22 say the same thing about furloughed pilots if the

CR  
DRT

2221

1 furlough was a consequence of a seasonal shift of  
2 flying as opposed to an entire structural  
3 reorganization of the airline?

4 A No, I wouldn't. If a airline is  
5 contracting and you are continually reducing the  
6 number of active pilot jobs, that is a completely  
7 different scenario than if someone was seasonal, as  
8 such was the case as what we found in Hawaii, where  
9 there would be furloughs during the slow season and  
10 then as the flying season and tourist season came  
11 back the furloughs would be recalled back, so we  
12 feel in that kind of situation the furloughs should  
13 be treated differently.

14 But if the airline is continually in a  
15 down trend and downsizing and heading toward  
16 liquidation we feel the furlough should be treated  
17 completely differently.

18 Q Then finally paragraph F of Roman II deals  
19 with certain protections for equipment. Again not  
20 focusing on this merger but on mergers generally,  
21 what was the America West pilot's view of equipment  
22 differential?

CR  
DRT

2222

1 A When you are comparing any two airlines  
2 that are merging you have to look at what each side  
3 is bringing to the merger itself. If you have  
4 equipment that one side has that the other did not,  
5 then in a reasonable period of time you have to be  
6 able to offer protections to that pilot group.

7 And when we look at the inherent  
8 instability in the industry and how rapidly the  
9 situation is constantly changing, we feel that  
10 keeping the time frame short still offers the  
11 protection to that pilot group for that equipment  
12 that they brought, and yet eventually moves on to  
13 the merger where both sides share in the merger.

14 Q Turning to Roman numeral III, is it fair  
15 to say it applies those principles to the facts in  
16 this case as we understand them?

17 A Yes, it does.

18 Q All right. So, again, the lawyers will  
19 undoubtedly have a big hand in writing more about  
20 this at some point, but what was the committee's  
21 view of the historic career histories prior to the  
22 merger that it took into account in formulating it

CR  
DRT



1 is proposal?

2 A In formulating our proposal, looking at  
3 the career histories obviously you are looking back  
4 in time and looking at the trend that had gotten you  
5 right up to the point of the merger. At that point,  
6 as you can see on the document we prepared, the long  
7 term was for US Airways was a negative trend, nearly  
8 1900 pilots were on furlough for 2-1/2 to four years  
9 prior to the merger, reaching back to pilots hired  
10 in 1988.

11 As far as America West we were in a steady  
12 hiring mode right up to the point of the furlough,  
13 as you have seen through testimony by Captain Mike  
14 Shinn, who did the interviewing for us, we had a  
15 pool of 39 pilots ready to staff the additional  
16 aircraft as they were coming in that were on order.

17 There was seven years is the average  
18 upgrade to captain and no one was on furlough, so  
19 looking at those comparisons to this particular  
20 merger, we had one company that was growing and the  
21 other one that was shrinking and on the verge of  
22 liquidation.

CR  
DRT

1 CHAIRMAN NICOLAU: Captain, you said to  
2 the point of the furlough, you meant to the point of  
3 the merger.

4 THE WITNESS: I am sorry, to the point of  
Page 65

5 the merger.

6 BY MR. FREUND:

7 Q So that, A was a backward look, letter B,  
8 I take it, is the committee's realistic view of the  
9 realistic future career prospects of the two pilot  
10 groups without the merger, correct?

11 A That is correct.

12 Q And there has been a lot of testimony on  
13 that, but tell us what the committee's view of the  
14 respective future career prospects were for the two  
15 pilot groups?

16 A The America West pilots merger committee  
17 looking forward from that point in time, for US  
18 Airways we agreed that a liquidation was imminent,  
19 absent the merger. From all the testimony you have  
20 heard and also from Ed Albert's testimony dealing  
21 with the financial data, no one was ready to step up  
22 and save US Airways.

CR  
DRT

2225

1 On the America West side, as I had  
2 mentioned, we were in a growth mode, and there was  
3 no reason for us to expect anything but continued  
4 growth and the accompanying upgrades.

5 Q And Roman III-C anticipated future earning  
6 power of the respective pilot groups, coupled with  
7 what you just told us about career prospects?

8 A Yes, it did.

9 Q And what was the committees view?

10 A Well, anticipated future earning power, if

11 you look at the fact that 92 percent of the east  
12 fleet is narrow body, and they are paid greater than  
13 12 percent lower than us, that their earning power  
14 was going to be significant right from the onset of  
15 the combining both pilot groups together.

16 Q But how about what their earning power  
17 would have been if there hadn't been a merger?

18 A Had there not been any merger we felt that  
19 there would be no earnings, it was just going to be  
20 a termination and liquidation.

21 Q And the anticipated future earning of  
22 America West pilots?

CR  
DRT

2226

1 A Steady upgrades, wage progression through  
2 our natural upgrades and through section 6  
3 negotiation, that is we were scheduled to open up.

4 Q Roman III-D is the, representatives the  
5 committees understanding of the respective fleets.  
6 What was the view of the US Airways fleet as it  
7 relates to the seniority integration?

8 A In relation to the seniority integration  
9 the east had A330s, we did not. We looked at, we  
10 took that into consideration. Their 767s, they fly  
11 on international, but they are treated identically  
12 to 757 and the bid preference reflected that limited  
13 preference to flying international, we will show  
14 that in our rebuttal case also, as well as the fact  
15 that international goes through a very large  
16 reduction in flying seasonally.

17           The fleet was obviously shrinking as a  
18 result of bankruptcy and the GECAS recalls and it  
19 didn't have any stand alone business plan, absent  
20 this merger.

21           Q    And the America West fleet in contrast,  
22 what was the committee's assessment of the America

CR  
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2227

1   West fleet as it fits into the rationale for the  
2 seniority integration?

3           A    We had 22 Airbus aircraft on order,  
4 reaffirmed several times as you have seen through  
5 the documents, just prior to the merger  
6 announcement. However, we did not have any 330s or  
7 equivalent aircraft on the property as of the  
8 merger.

9           Q    Roman numeral IV runs through the  
10 consequences to the respective pilot groups as a  
11 result of the merger, and let's take you the  
12 consequence to the USAir pilots first?

13          A    Obviously, we feel that all the careers  
14 have been saved by this merger, that every pilot's  
15 job on the east side has been saved due to the fact  
16 that this merger has occurred.

17           Taking that into consideration, their  
18 continued reduction which you have seen from the  
19 GECAS order, was supposed to go down to 211  
20 aircraft, that stopped because of the merger, and  
21 the furloughed pilots have been recalled. They have  
22 been and will be continued to be recalled due to

CR  
DRT

2228

1 this merger.

2 Q So run base basically quick through the  
3 little A, B and C?

4 A The growth based recalls with the three  
5 new 757s, the east is currently getting the full  
6 benefit of that. Eventually America West, the west  
7 will share in it, but right now it's their full  
8 benefit.

9 Q And as a consequence, whether the west  
10 pilots share in it in the future, east pilots have  
11 been recalled to do that flying?

12 A Yes, every job that is going to be created  
13 will be filled by an east pilot until they have  
14 exhausted their furlough list. So with the new 190s  
15 we have 12 to be delivered through the course of the  
16 end of '07, all those recalls will be filling those  
17 seats also.

18 And then we have work rule-based recalls,  
19 since our staffing levels are higher than the east,  
20 we require more and we anticipate that to be  
21 somewhere in that vicinity. So the recalls are  
22 coming just for the better contract also.

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2229

1 Q And you skipped over the attrition based  
2 recalls?

3           A     Yes, I am sorry. The attrition-based  
4 recalls, you had the US Airways attrition where  
5 their furloughed pilots get there get all of their  
6 furlough recall ability from their own airline, plus  
7 they get the furlough recall capability of every  
8 pilot on the America West side.

9                     On the America West we get both sides also  
10 but not necessarily the full extent of their  
11 seniority list.

12           Q     Well, there aren't any America West pilots  
13 on furlough to be recalled to fill any attrition?

14           A     No, all attrition will be to the benefit  
15 of the east.

16           Q     And turning to the consequence of the  
17 merger on America West pilots, what have you seen  
18 happen since then, what has the committee seen happen  
19 since the merger was announced?

20           A     Well, if I could just back up, since I  
21 didn't touch on the paragraph 4 --

22           Q     I am sorry?

CR  
DRT

2230

1           A     That is okay. For one more consequence of  
2 the merger for the east side, and then we will get  
3 into the west side, is that the wages, the benefits,  
4 work rules, all the higher standards will be  
5 attained just through the merger alone. Obviously,  
6 like I stated, 92 percent of their fleet is paid  
7 below ours. The vacation, as you heard Captain  
8 Payne testify to, is significantly below ours. So

9 it is not just a monetary issue, it is a lifestyle  
10 issue as well. And, that is as a result of the  
11 merger. You know, that is assuming that US Airways  
12 could have stood alone.

13 Q On the flip side of the consequence to the  
14 America West pilots?

15 A As we have mentioned the pilot careers  
16 have stagnated, the captain upgrades that were going  
17 on at the time and the new hires have stopped, the  
18 fleet expansion stopped and we actually contracted.  
19 We had a reduction in aircraft through since the  
20 merger announcement.

21 For America West the thing we are putting  
22 here for wage pressure is, in no way are we denying

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2231

1 the east pilots or do we think it is wrong that they  
2 should come up to our pay scale, but the reality of  
3 the situation is that there is only X number of  
4 dollars on the table. And when it comes out to a  
5 fact that the group as a whole that the east is  
6 going to, last to move up 12 percent just to get to  
7 your pay rate, and then the entire group as a whole,  
8 the merged group has to move up as a whole, it is  
9 extremely obvious that the America West pilots will  
10 take the smallest percentage of that windfall.

11 So the monies that would have been  
12 available to just the America West pilots, had we  
13 stood alone, are not in any way near the same  
14 percentage of money that will be available in a

15 merged airline.

16 Q Finally now, turning to Roman numeral V,  
17 am I correct that Roman numeral V takes the west  
18 proposal, each component of it and matches it to one  
19 or more of the tenets of ALPA merger policy?

20 A Yes, what we try to do here was to take  
21 the five tenets of ALPA merger policy and apply them  
22 to the various intricacies of the merger proposal

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2232

1 that we have here.

2 Q Let's start with A, no bump, no flush, and  
3 you say that maintains pilot premerger status. I  
4 think it is probably self explanatory, but --

5 A No bump, no flush is no matter how the  
6 seniority lists had come together, the captains will  
7 stay captain, first officer will stay a first  
8 officer. No one loses their seat, and going under  
9 that ALPA tenet that maintains the pilots premerger  
10 status.

11 Q Paragraph B describes the integration of  
12 active pilots with active pilots, based on actual  
13 staffing ratios for the respective premerger fleets,  
14 announced fleets; is that correct?

15 A That is correct.

16 Q And describe how that meets those two  
17 tenets of merger policy?

18 A Well, in preserving jobs no one is being  
19 furloughed as a result of the merger, and premerger  
20 status is you have everyone in their respective



21 seat, and then perform the merger from that point  
22 forward.

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DRT

2233

1 Q Paragraphs C, D and E, I think are the  
2 paragraphs that describe the mathematical process by  
3 which the integrated seniority list was built; is  
4 that correct?

5 A That is correct.

6 Q Why don't you walk us through that and tie  
7 them up to --

8 A Subparagraph C, we built positions into  
9 the ratio to account for the captain upgrades that  
10 would have occurred had America West's fleet  
11 increased to 161 aircraft.

12 What we did is we went back, used our  
13 staffing formula at that time in May of '05, and we  
14 had already had accepted three of those aircraft so  
15 we took 19 of those 22, and at the staffing ratio of  
16 12 per aircraft that created 228 positions that  
17 would have been created by those additional aircraft  
18 coming on the property.

19 We just took, went right in the middle on  
20 it, 114 captains and 114 FOs. So as far as  
21 paragraph C goes, it minimizes detrimental changes  
22 to career expectations. Our putting aside any sport

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1 bidding, our 114 most senior first officers could  
Page 73

2 have reasonably been expected to upgrade to captain  
3 no later than January, this month, of 2007.

4 So to meet that premerger career  
5 expectation we took the 114 of our senior F0s, those  
6 positions, and property them into the captain ratios  
7 of what the captain positions were going to be on  
8 the east side.

9 Q Okay.

10 A Going down to paragraph D, as we have  
11 submitted in documentation and exhibits, we feel  
12 that the US Airways fleet was certainly going to go  
13 down to 211, if to exist at all. And we looked at  
14 the ratio staffing level on the east side, what it  
15 took for them to fly their airline, and we applied  
16 that to a fleet of 211 aircraft.

17 Once again, that is a premerger  
18 expectation, that was with the GECAS reduction, so  
19 we looked at it and said this was the career  
20 expectation that they could have on the east side,  
21 and once gain that is assuming no liquidation.

22 You come up with those sets of numbers,

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2235

1 and which that, once again, it minimizes the  
2 detrimental changes to career expectations because  
3 that was what was actually going on, that is what  
4 was happening at the time.

5 And then you come in to, that brings you a  
6 total of 228 positions, additional positions. Now  
7 you go into the furlough protection which is

8 subparagraph E, our most junior America West pilot  
9 which everyone pretty much knows by now, is Dave  
10 O'Dell. He was our active junior pilot, once again,  
11 we have never -- excuse me, not never, once again we  
12 did not have any furloughed pilots, so Dave was our  
13 most active pilot --

14 Q Most junior active --

15 A -- most junior active pilot, and he could  
16 reasonably have expected to have 228 pilots below  
17 him to staff those aircraft.

18 Q Now, the merged seniority list that  
19 America West pilots has proposed has more than 228  
20 pilots below Dave O'Dell; is that correct?

21 A That is correct.

22 Q Is that a function exclusively, not

CR  
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2236

1 exclusively, but at least in part, of the 211 fleet  
2 size for US Airways?

3 A Exactly. That goes back to the premerger  
4 career expectations and on a fleet count of 211,  
5 with the math that we had already submitted in one  
6 of our exhibits, that is how we came out with the  
7 ratio. So you will see the ratio in effect. So you  
8 will see more than 228 below Dave, but those pilots  
9 that would be a reasonable career expectation for  
10 them premerger.

11 Q Okay. Paragraph F, how does paragraph --  
12 well, what does paragraph F provide with respect to  
13 the America West proposal?

14           A     Well, the east side brought A330s to the  
15 merger. Obviously we did not have that equipment on  
16 our property, and they have career expectations for  
17 that airplane that obviously we did not at the time.  
18 So we have offered in the integration proposal a  
19 two-year fence --

20           Q     Let me interrupt you now. The proposal  
21 provided for a fence of two years but not two years  
22 from the date of the -- from the effective date of

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2237

1 the list, but not to extend beyond, I think it was  
2 July 1st, 2009; is that right?

3           A     Correct.

4           Q     Are we changing our, the model is done  
5 differently?

6           A     Yes, and the model was done differently.

7           Q     Are we modifying our proposal to propose  
8 that the two-year fence, that there be an actual  
9 two-year fence running from the effective date of  
10 the seniority integration?

11          A     Yes, because of the time we feel that we  
12 need to push that out and move it, so it would be  
13 two years from the effective date of the seniority  
14 list implementation.

15          Q     Okay. And I take it that as you set out  
16 in paragraph F and the bullets below paragraph F  
17 that ties up to the minimization of detrimental  
18 career changes to in this case to the US Airways  
19 pilots careers, correct?

20 A That is correct.  
21 Q And maintains their pilots premerger  
22 status, correct?

CR  
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2238

1 A Correct.  
2 Q And also avoids windfalls, correct?  
3 A Yes.  
4 Q Paragraph G really describes, does it not,  
5 the consequences of the proposal on the, both US  
6 Airways pilots and the America West pilots?

7 A Yes, what you are looking at is when you  
8 put the two groups together and the collective  
9 earning power for US Airways pilots should be equal  
10 or better than their stand alone expectations, but  
11 it shouldn't be at the expense of the America West  
12 pilots.

13 So when you are looking, you have to look  
14 at the merger as a whole. And the merger having  
15 numerous consequences, it definitely preserved all  
16 the jobs on the east side, the furloughs returned  
17 early due to this merger, they are flying a combined  
18 fleet. And if you look at back at Dan Akins PEM,  
19 the Pilots Earnings Model, then you can see the  
20 money that is, will be available to both pilot  
21 groups under the methodology that we are proposing.

22 Q Finally, under paragraph H, I realize it

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2239

1 is hard to predict the future of a lot of things in  
2 this industry, but is it the view of the America  
3 West committee that this proposed list, better than  
4 any other proposed list, will operate fairly,  
5 irrespective of what happens in the future, and in  
6 particular the two that we have been able to look at  
7 with a little more precision, the possibility of an  
8 age 65, change from age 60 to age 65 retirement and  
9 the possibility of a Delta merger?

10 A Yes, because we feel that as we have  
11 submitted documentation as an exhibit, we feel that  
12 age 65 is imminent. We feel we will see that this  
13 year. That will give a larger earning power at the  
14 top end on the east side.

15 In the event of a Delta merger let's look  
16 at the fact of reduction in labor force. We don't  
17 feel that our pilots should increase, suffer any  
18 inherent increased risk due to this merger. So  
19 therefore, the pilot group, the pilots who are at  
20 most risk on the east side, when you said there is  
21 more than 228 below Dave O'Dell, they were the  
22 closest to the bottom of the active pilot list.

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1 Had the downsizing continued which we have  
2 proven that beyond a doubt it was going to happen,  
3 that for that reason that is why you will see a  
4 large group of east pilots underneath Dave O'Dell.

5 Our theory on this is that the pilots that

6 would have been benefited continue to do so, and  
7 those that were exposed to the most risk are still  
8 exposed to the most risk.

9 So that is where we come up with the  
10 number you are looking down at the bottom of the  
11 list.

12 Q Captain Stravers, again in sum taken as a  
13 whole and measured against tenets of ALPA merger  
14 policy and in particular with respect to the first  
15 sentence of ALPA merger policy, the relevant portion  
16 of ALPA merger policy, that says the merger  
17 representatives and ultimately the panel will  
18 carefully weigh all the equities inherent in the  
19 merger situation, is the America West pilots' view  
20 that their proposal meets those tenets?

21 A We feel our proposal is fair and equitable  
22 and applies to every one of the five tenets in ALPA

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DRT

2241

1 merger policy.

2 MR. FREUND: Thank you. That is all I  
3 have.

4 MR. KATZ: I do have some questions on  
5 cross-examination. I think the best, from our  
6 standpoint the best way to proceed would be to take  
7 a break now and have lunch and come back at 2:00.

8 CHAIRMAN NICOLAU: Well, Mr. Katz you have  
9 two days of rebuttal.

10 MR. KATZ: That is true.

11 CHAIRMAN NICOLAU: So I don't know that

12 you want to spend hours on cross-examination here.

13 MR. KATZ: No, I don't plan to spend hours  
14 on cross-examination, but I wanted to give my  
15 committee an opportunity to have some input into the  
16 cross-examination, and would like to have a break to  
17 do that.

18 CHAIRMAN NICOLAU: Well, I think we had  
19 assumed that we were going to work through lunch.

20 MR. KATZ: Can we go off the record?

21 CHAIRMAN NICOLAU: So that is what we are  
22 going to do. How much time do you need, half an

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DRT

2242

1 hour and come back?

2 MR. KATZ: Sure.

3 CHAIRMAN NICOLAU: Okay.

4 (12:05 p.m. -- recess -- 12:36 p.m.)

5 CHAIRMAN NICOLAU: When you are ready,  
6 Dan.

7 MR. KATZ: Okay.

8 CROSS EXAMINATION

9 BY MR. KATZ:

10 Q Good afternoon, Captain Stravers.

11 A Good afternoon.

12 Q At the end of our proposal we asked the  
13 arbitration board to retain the conditions and  
14 restrictions that had been imposed in earlier  
15 mergers, specifically in the Kagle award.  
16 Arbitrator Kagle attached some conditions and  
17 included conditions and restrictions for the



18 protection of the Empire pilots, based on the  
19 Empire-Piedmont merger.

20 Does the America West merger committee  
21 have any objection to that?

22 MR. FREUND: If I can intervene on that.

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DRT

2243

1 We will deal with that in our rebuttal case which I  
2 think is the appropriate place to deal with it. He  
3 can ask him the question, but we will deal with it  
4 later.

5 CHAIRMAN NICOLAU: You can answer.

6 THE WITNESS: We would like to take a  
7 closer look at it to see how we are going to handle  
8 it.

9 CHAIRMAN NICOLAU: Fair enough.

10 BY MR. KATZ:

11 Q Okay. In your Exhibit 33, and your direct  
12 testimony this morning, I didn't really hear you  
13 mention date of hire or length of service at all.  
14 Is there a reason for that?

15 A No, when we talk about all of the equities  
16 that were brought in we have to look at the  
17 different age of the airline itself, so we feel that  
18 when you have a much older airline versus a younger  
19 airline we have to make some other comparisons so we  
20 can keep the equities equal across the board. So we  
21 can't compare to the age, obviously, of the east  
22 being a much older airline.

CR  
DRT

1 Q But do you have your actual proposed  
2 seniority list?

3 A No.

4 Q Why don't you get it out.

5 A Okay.

6 Q At the top of the list --

7 MR. GILLEN: Exhibit 26 out of volume B.

8 BY MR. KATZ:

9 Q Yes, thank you. Exhibit 26 in volume B.  
10 You put Captain McNerlin ahead of Captain  
11 Hessig, who was hired 16 years before Captain  
12 McNerlin, right?

13 A He was hired in '67 versus '83; correct.

14 Q If you turn down to number 1364, the pages  
15 aren't numbered, but it is --

16 A Is that the merged seniority number you  
17 are looking at?

18 Q Yes. 1364 is a Captain Barnes, Dennis  
19 Barnes, who was hired in 1990, and his number is 618  
20 on your list, and he is senior to Captain Clegg who  
21 is a wide body international captain hired nine  
22 years earlier, correct?

CR  
DRT

1 A That is correct.

2 Q And all 618 of these pilots who are  
3 remaining after the two-year period from the start  
4 of the integrated list would be in a position, well,

5 they would be in a position to bid 767 international  
6 right away, wouldn't they?

7 A That is correct.

8 Q The restriction only covers the A330 left  
9 seat is that true?

10 A That is correct.

11 Q And all 618 of them would be able to bid  
12 for A330 captain after the restriction expires;  
13 isn't that true?

14 A That is correct.

15 Q Now, have you done any analysis of what  
16 this list would look like in the future?

17 A As far as aging the list goes?

18 Q Right.

19 A We have looked at aging the list out, both  
20 age 60 and age 65.

21 Q But you haven't put in any analysis of  
22 that to justify your proposal to the arbitration

CR  
DRT

2246

1 board, have you?

2 A No, we have not.

3 Q And just to take a quick look at the first  
4 page, for instance, of the list, if you scan down  
5 the list you see people who are hired, 1948 or  
6 later, on the first page, and first look at the gray  
7 US Airways pilots, there is only one -- no, there  
8 is -- yes, there is only one I see in gray, is this  
9 pilot Beverly Berkeley at number 65 on the merged  
10 list; is that right?

11 A Apparently so.  
12 Q But most of the pink America West pilots  
13 do continue on the list well after that point in  
14 time, some as late as 1955, retiring 2015, right?  
15 A That is correct.  
16 Q If you flip down to number 1718 on the  
17 list we have First Officer Solper, America West  
18 pilot, who was the first pilot hired after the  
19 September 11th attacks, correct?  
20 A Let's see, he has a date of hire of March  
21 of '96 -- am I looking at the wrong line --  
22 Q I am sorry, I am in the wrong place. He

CR  
DRT

2247

1 is the first pilot hired after the Chapter 11. I  
2 got the 11 right, but that is about all.  
3 MR. BRUCIA: The month of chapter.  
4 BY MR. KATZ:  
5 Q He was the first pilot hired after the  
6 company emerged from bankruptcy, am I right there?  
7 CHAIRMAN NICOLAU: It looks like it, there  
8 is a five-year gap.  
9 THE WITNESS: Yes, he would be the first  
10 one.  
11 BY MR. KATZ:  
12 Q And he is 13-3/4 years less service --  
13 A Right, minus any attrition that happened  
14 in between.  
15 Q -- between he and McKeever?  
16 A Yes, that is correct.

17 Q 3617 -- I am sorry, 3687 I want to go to?

18 CHAIRMAN NICOLAU: You say 3687?

19 BY MR. KATZ:

20 Q That is correct. Compare 3687,

21 Mr. Campbell, hired in 2003, first of all you see at

22 3691 Captain Winter is a Shuttle pilot who was hired

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2248

1 in 1973. So he was hired 30 years earlier and is a  
2 captain, and just above Winter, and still junior to  
3 Campbell, is Cynthia Abbott who was hired in 1986,  
4 17-1/4 years earlier than Mr. Campbell, is that true  
5 as well?

6 A That is correct.

7 Q And we looked at their fellow, he  
8 testified, Mr. Fife, he is at number 4109 --

9 A Excuse me, 4109?

10 Q Yes. He was hired at America West on  
11 June 21, 2004, but as he testified I think the day  
12 before yesterday, he was hired at Piedmont before  
13 that on April 20th, 1987, and you have got him  
14 senior to Randy Chapman who was hired in 1986, 18  
15 years after Fife was hired at America West?

16 A That is correct.

17 Q And then if we go down to O'Dell, you said  
18 that he was, he had more than 228 USAir pilots  
19 junior to him?

20 A That is correct.

21 Q In fact he is got 2538 --

22 A Are you referring to active pilots or

CR  
DRT

2249

1 furloughed pilots as well?

2 Q I am referring to pilots on this list that  
3 you have prepared?

4 A I haven't done the exact computation but  
5 our proposal deals with an integration of active  
6 pilots, and then the furloughs to be added to the  
7 bottom of the list. So I would assume that your  
8 math is correct.

9 Q And if you look at the disparity in date  
10 of hire between O'Dell and Donald Day, the USAir  
11 pilot immediately junior to him, there is 18 and a  
12 quarter years difference between them?

13 A That is correct.

14 Q And if you look up on this page, the pink  
15 birthdays, you see people like Mr. Hitt at  
16 number 4445 who was born in 1979, and other pilots  
17 hired at America West in 2004, immediately prior to  
18 the announcement of the merger, whose birthdays are  
19 in the '70s, means they are going to block the  
20 progress of Mr. Day and the others to a captaincy  
21 for the remainder of Mr. Days career; isn't that  
22 true?

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2250

1 A Mr. Day also gets attrition from both  
2 airlines as well as from his own.

3 Q Well, it depends on the proposal. In our  
4 proposal we gave each side its own attrition for  
5 seven years, but you haven't offered a protection  
6 like that for attrition, have you?

7 A No, we have not.

8 Q Let me show you this document. I have had  
9 this marked as Exhibit 9, cross-examination  
10 Exhibit 9, would you mind passing these across?

11 A Sure.

12 Q And here are three for the panel, G-9?  
13 This exhibit confirms some of the things we have  
14 been talking about, doesn't it?

15 A Yes, it does.

16 Q The only mention I heard about attrition  
17 was that you indicated that the furloughs get the  
18 benefit of both sides' attrition under your  
19 proposal?

20 A And I also mentioned that we gained the  
21 benefit of the attrition on the west side, of the  
22 west, and the east pilots that are senior to us.

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2251

1 Q Yes, I think you said, I don't think you  
2 said it exactly the way you meant it. What I wrote  
3 down in my notes was something along the lines of  
4 the east people, all the east people benefit from  
5 all the west attrition. If that is what the  
6 transcript reflects that you said, that isn't what  
7 you meant to say, is it?

8 A No, the east furlough pilots benefit from

9 all the attrition on the America West side as well  
10 as their own attrition.

11 Q And if Dave O'Dell is at the bottom of the  
12 list he will benefit from all the attrition from  
13 both groups, won't he?

14 A If he was at the bottom of the list that  
15 would be correct. However, Dave O'Dell had  
16 premerger very realistic career expectations of a  
17 minimum of 228 pilots below him absent the merger.

18 Q That is based on your theory that there  
19 were going to be 19 additional airplanes in the  
20 America West fleet; right?

21 A Well, it is based on our exhibits and on  
22 the investor reports in the second quarter of 2004

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2252

1 and first quarter of 2005 and March, excuse me,  
2 April 20th of 2005, less than 30 days prior to the  
3 merger announcement, that once again the filing said  
4 that we would have a projection of 161 aircraft. So  
5 yes, it is.

6 Q Are you talking with that one exhibit was  
7 it the April 20th release to the investors from the  
8 company that had the number of 161 airplanes in it?

9 A That is one of the documents, yes.

10 Q What are the others that support the 161  
11 airplanes?

12 A We also had a document in 2004 for a fleet  
13 plan document that showed through the end of 2006,  
14 it was a company generated document, that through



15 the end of December 2006 we would have 160 aircraft  
16 and then another document that was generated on  
17 January 12th of 2005, showed a fleet plan through  
18 the end of 2007 at 161 aircraft, with the last  
19 aircraft delivery to happen to occur this month,  
20 January of 2007, which would have been the last A320  
21 out of those 22 aircraft on order.

22 Q Well, you say they are on order but I

CR  
DRT

2253

1 don't think you put in any evidence that you had 22  
2 airplanes on order, as of the time of the  
3 announcement of the merger?

4 A Well, going back to, you know, Mr. Haft's  
5 testimony about what can be said and what can't be  
6 said looking forward, I see no reason why the  
7 company would put out any information just prior to  
8 the merger announcement that wouldn't be accurate  
9 for the fleet size of our intended growth.

10 Q Let's call this G-10. I have got an  
11 excerpt from the project Barbell report that was  
12 furnished to us by counsel for the America West  
13 merger committee, that came from Ed Albert, and I  
14 just picked out some of the pages here to evaluate  
15 this claim of 161 airplanes.

16 Let's look first at the last page of this  
17 document. It is numbered page 51 of 63, just to  
18 make sure we are on the same page, and it collects  
19 America West five-year plan statistics, but it  
20 actually has 10 years of actual statistics from 1995

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21 to 2004, all compiled in one handy, easy-to-use  
22 container. Do you see that, Captain Stravers?

2254

1 A Yes, I do.

2 Q If you look at the last five years along  
3 the line for equivalent aircraft, it shows that  
4 America West had about 130 airplanes in 2000, rose  
5 to 143 in 2001, and then steadily dropped through  
6 2004 down to 140, and it had a forecast of a  
7 continuing reduction.

8 This was prepared in July 2005, Captain  
9 Stravers. Does this show a steady growth in  
10 aircraft?

11 A No, it doesn't but it is also through  
12 July 2005 it was postmerger rather than premerger  
13 standalone expectations of our growth plan.

14 Q And the block hours tell the same story,  
15 they don't show any growth in block hours for the  
16 fleet, do they?

17 A Well, according to this analysis, if you  
18 were to reduce the fleet, and once again this is  
19 postmerger announcement, then I would assume the  
20 natural assumption would be that the block hours  
21 would be reduced proportionately.

22 Q Right, but if you go back and look at the

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1 Last five years before the announcement of the  
Page 90

2 merger there wasn't any steady growth in block hours  
3 or aircraft at America West, was there?

4 A Before 2004?

5 Q 2000 through 2004, the last five years  
6 before the announcement of the merger?

7 A Well, I see the rise between 2003 and 2004  
8 in block hours. Am I looking at the wrong line 2 on  
9 this, is that what we are referring to?

10 Q No. You see if you go down to average  
11 utilization you see there was an increase, even  
12 though the airplanes remained steady there was an  
13 increase in the daily average utilization of the  
14 fleet from 10.3 hours to 11.0 hours?

15 A Yes, I think we have already affirmed the  
16 fact that our utilization is higher on our fleet,  
17 much higher than the east, due to the type of flying  
18 we do, and also due to our late-night banks that we  
19 run out of Las Vegas, so we have a higher aircraft  
20 utilization which will drive the numbers up in  
21 there.

22 Q It's projected to go to 11.4 in the

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1 forecast period if you follow over to the right-hand  
2 side of the chart. And you can't really get it much  
3 higher than that can you?

4 A That is the highest number that I see on  
5 this report.

6 Q If you flip back to the second page of  
7 this document, and you see here we are dealing with

8 the east balance sheet, if you look at the top of  
9 the page, and then the right and then the left, to  
10 do you see where it says east premerger financial  
11 projections, balance sheet --

12 A The first page --

13 Q First page after the cover?

14 A Okay.

15 Q And if you take a look at the projected  
16 cash it is around a billion dollars for the east  
17 side, on the line for cash, whether you are under  
18 the model before adjustments or after adjustments,  
19 do you see that?

20 A We looked at the schedule line under the  
21 assets or are you looking for --

22 Q Cash and cash equivalents, it is really

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1 the first line under the assets.

2 A Yes.

3 Q Then if you drop down to total assets  
4 which is in bold, you see that the total assets on  
5 both sides of the page for the years 2005 to 2009,  
6 for the east side are projected to be \$5 billion  
7 worth of assets?

8 A Uh-huh.

9 Q And compare that to the next page, Captain  
10 Stravers, which is the west's comparable figures,  
11 the assets are only a fifth to a quarter of the  
12 value of the east assets, aren't they?

13 A It appears they are. However, if the east

14 assets, if they ever could have hit that projection  
15 I don't see any reason why they would have even  
16 considered the merger.

17 Q If you look at the cash line, the second  
18 line under assets, you will see the familiar figures  
19 on the before adjustments column that Ed Albert put  
20 in, projected \$178 million of cash and cash  
21 equivalents at the end of 2005, \$105 million just  
22 barely over the ATSB minimum requirement in 2006,

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1 proceeding down to a negative number in 2008.

2 Aren't those the numbers that Mr. Albert put in?

3 A Yes, and I believe it was also stated that  
4 when Mr. Parker had stated in the first quarter of  
5 2005 we are not losing any sleep over liquidity,  
6 because he also stated that our earnings was much  
7 higher than anticipated in the first quarter of '05.  
8 So I would say that this report seems to be a little  
9 bit off the mark of what actually occurred.

10 Q Well, I take it you don't believe  
11 Mr. Parker when he said in those videos that we  
12 showed, that absent the merger that America West was  
13 going to need to either restructure its finances or  
14 file for bankruptcy itself?

15 A Once again, if we could go back to  
16 professor halves testimony, he testified for  
17 securities law, under what you can say looking  
18 forward versus what you can say looking back in  
19 time. And at that particular point that was

20 postmerger, so I don't know what drove the accuracy  
21 of his statements at the time, but I am not  
22 qualified to say what he was thinking at the time.

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1 Q Well, you saw the video, didn't he seem to  
2 be sincere and genuine?

3 MR. FREUND: Objection.

4 BY MR. KATZ:

5 Q You don't believe Mr. Parker either when  
6 he says that the, absent the merger they were going  
7 to need to drive the pay rates down lower because  
8 they had, were getting competition in the cost front  
9 from other airlines; is that true?

10 A Could you repeat the question?

11 Q Are you saying that Mr. Parker was also in  
12 error when he was talking in the video that we  
13 showed about how absent the merger the company was  
14 going to need to negotiate the employees pay rates  
15 down?

16 A I don't know what his intention was at the  
17 time of the comments. All we are looking at is the  
18 filings, the SEC filings that go in, in a looking  
19 forward projection, rather than looking back at the  
20 past and being a Monday morning quarterback, if you  
21 will.

22 Q And your testimony, Captain Stravers, is

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1 that your proposal is based on the assumption that  
2 America West pilots would be able to retain their  
3 pay rates absent the merger, even though United and  
4 Northwest and Delta and American and USAir were all  
5 cutting their pay; is that correct?

6 A That is correct.

7 Q In this project Barbell --

8 CHAIRMAN NICOLAU: Dan before you do that,  
9 I thought you mentioned July of 2005 as this  
10 document.

11 MR. KATZ: Yes.

12 CHAIRMAN NICOLAU: I can't find that date.  
13 I see February 22, '06.

14 MR. KATZ: In was an explanation in the  
15 transmittal that said that even though that is the  
16 date that Milestone put on it, they received it and  
17 it was done as of July 2005.

18 CHAIRMAN NICOLAU: Okay, fine. So that is  
19 in the transcript it won't confuse me anymore.

20 MR. KATZ: That is right isn't it, Jeff?

21 MR. FREUND: That is correct.

22 MR. GILLEN: Is there any significance to

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1 the file name, 15 Barbell Merger Model, July Update,  
2 yadda, yadda, yadda. Does that mean there were 14  
3 others?

4 MR. KATZ: I think I am not allowed to  
5 say, because anything I learned about this was from

6 the creditors committee when I was representing the  
7 CWA.

8 MR. GILLEN: There is a Chinese wall isn't  
9 there?

10 MR. KATZ: I will have Jason tell you  
11 after the first recess.

12 CHAIRMAN NICOLAU: Go ahead.

13 BY MR. KATZ:

14 Q The next page, it is called Synergies,  
15 Captain Stravers, and if you look on the left-hand  
16 side they breakdown revenue synergies, cost  
17 synergies, and included in the cost synergies are  
18 labor savings. Isn't it a fact that the company and  
19 the investors evaluated the price tag of paying  
20 everybody the same pay rates, east and west, in  
21 considering whether to go through with this  
22 transaction?

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1 A I am not sure, I wasn't privy to the  
2 management's decisions at the time.

3 Q The next page combined projections without  
4 special items, have you looked at the first line ASM  
5 2006 through 2010, it appears to be pretty static  
6 assumption as with both the PEM model and the model  
7 that Rikk Salamat ran, there is no growth assumed,  
8 is there, for the combined company now?

9 A Right, this is the combined and this  
10 report once again was generated in July after the  
11 merger announcement?



12 Q That is correct, that in fact related to  
13 the merger?

14 A But it was produced after the merger was  
15 announced, correct?

16 Q It was. This was published July 2005,  
17 published internally within the management-investor  
18 ranks?

19 A And would you repeat your question,  
20 please.

21 Q The question was that, if you follow the  
22 ASM line across from 2006 to 2010 there doesn't

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1 appear to be any growth projected for the combined  
2 company?

3 A Not on this document, does not appear so.

4 Q And the next page which is 25 out of 63,  
5 if you looked at fleet, this is again combined  
6 fleet, under subtotal for the main line, those same  
7 years are 361 airplanes, straight across for five  
8 years. So again it is a no growth assumption in  
9 terms of these investment banking and related  
10 advisors, correct?

11 A That looks like the assumption they made,  
12 looking that far out into the future, yes.

13 Q The next page is more five-year plan but  
14 it also comes with a handy, easy to use 10-year  
15 statistical record for America West, only this time  
16 it has got income statement data.

17 I would ask you again on the revenue line,

18 under operating revenues total, looking at the five  
19 full calendar years immediately prior to the  
20 announcement of the merger, 2000 to 2004, do you see  
21 any growth in operating revenues for America West  
22 during that five-year period?

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1 A It is a slight growth in 2004, an  
2 insignificant growth in 2005.

3 Q Yes, that is the projected period.  
4 Looking down at the years 2000 to 2004, on the net  
5 earnings, sometimes referred to as the bottom line,  
6 you see the figures from 24 million profit in 2000,  
7 losses of 115 million in 2001, 147 million in 2002,  
8 90 million in 2004, and \$4 million profit in 2003.  
9 Do those entries appear to you to be the track  
10 record of a profitable financially solid airline?

11 A Well, considering the time frame of 2001  
12 and September 11th, I think that you would find that  
13 same type of negative net earnings, if you will,  
14 comparable to most airlines in the industry.

15 Q So America West is subject to the same  
16 economic forces as United, American, Delta,  
17 Northwest and USAir?

18 A Yes, to an extent, but the management team  
19 that is running the airline is also very influential  
20 into the net earnings that you look at at the bottom  
21 of the line.

22 And I don't see where we looked at, we

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1 haven't gotten to point of five days left of  
2 operating cash in any of the scenarios from the  
3 operating revenue.

4 Q So have you, in considering your proposal,  
5 have you evaluated the days remaining of cash for  
6 America West at various points during 2005?

7 A What we have done is when we put our  
8 proposal together we took all of the equities that  
9 were inherent in this merger, the disparity in the  
10 age groups of the pilots, the differences in the  
11 fleet, the differences in the wage earnings, the  
12 differences in the contracts, and we feel that when  
13 you add up all of the factors that come into play in  
14 trying to keep it balanced across the table, because  
15 once again you can't compare a 65-year-old airline  
16 with a 23-year-old, 24-year-old airline, as far as  
17 for the age difference. So you have to find the  
18 equities to balance it out.

19 And we feel that when all of that was  
20 considered and the fact that we were still growing,  
21 and there is no doubt this merger saved the east  
22 from liquidation, we feel this is a very fair and

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1 equitable proposal.

2 Q In fact the merger saved America West from  
3 bankruptcy and liquidation too, didn't it?

4 A We don't believe that is true.

5 Q Did you look at days remaining of cash for  
6 America West in 2005 compared to Northwest and Delta  
7 in the period before they filed for bankruptcy in  
8 September 2005?

9 A I don't recall.

10 Q Your proposal is based on counting  
11 captains and then merging the captains with the  
12 captains, isn't that the theory?

13 A That is correct. And also taking, under  
14 the ALPA merger policy, premerger career  
15 expectations into account, and our 22 aircraft  
16 order, how many positions it would take to fill  
17 those, and then making those positions into captain  
18 positions on the west side. So that is -- so it is  
19 captain to captain with the addition of the  
20 premerger career expectations of the west senior  
21 first officers.

22 Q That is where you added in the 19

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1 airplanes worth of A320 captains?

2 A That is correct.

3 Q And we talked about that a little bit on  
4 cross already. So let's look at the reduction you  
5 did of 10 A320s or 737's worth of captains positions  
6 from 221 to 211 on the USAir side of the captains.

7 You were present, I am sure, when we had  
8 the grammar lesson and Jeff cross-examined one of  
9 our witnesses about the phraseology of the press  
10 release on May 19, 2005, as indicating in the view

11 of the America West merger committee that all 25 of  
12 the reductions that were announced on that date  
13 should be taken from the US Airways pilots in terms  
14 of calculating expectations.

15 Other than that document, the press  
16 release that we have gone over word for word, and  
17 that came out on May 19th, 2005, is there any other  
18 document that you have put into evidence anywhere in  
19 your exhibits that supports this 211 number?

20 A I will have to review our exhibits once  
21 again to show any of the supporting data that we  
22 have for that 211 number.

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1 Q But as we sit here today at this moment  
2 you don't remember --

3 A At the time, this moment I don't recall.

4 Q All right. If there is a break we can  
5 check on that.

6 In doing this calculation you used two  
7 different time periods and two different sources for  
8 the captain count, didn't you?

9 A We used the staffing levels appropriate to  
10 each airline. On May 19th we used our staffing  
11 level on May 19th, and we used the east's staffing  
12 level that it took to run their airline in the same  
13 time frame.

14 Q You used February 2006, didn't you? Take  
15 a look at your exhibit 26. I am not trying to trick  
16 you on this. I guess it is in --

17 A Which one is it in, what exhibit?

18 Q I think it is in 25. So on the first page  
19 of 25, if you look at footnote 2, it indicates the  
20 source for the America West captain count was the  
21 May 2005 PBS data?

22 A That is correct.

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1 Q And if you flip the page and look at  
2 footnote 2 for US Airways pilots, it says bid  
3 '05-'07, but it says up above in the text, above  
4 that chart, or table, whatever you call it, the  
5 America West merger committee used the actual  
6 positions for the nearest available US Airways  
7 fleet, 221 aircraft in February 2006, except for  
8 A320s. Doesn't that mean that you used the  
9 February 2006 --

10 A I stand corrected, now that I have the  
11 document in front of me. Yes, that is true, because  
12 at that time, that is when the east had reduced to  
13 221 aircraft which was a staffing level at that  
14 time, and that was the most appropriate to use for  
15 this.

16 Q But you just testified that US Airways was  
17 a highly seasonal airplane especially in terms of  
18 the trans-Atlantic flying --

19 A No, I didn't testify that they were  
20 seasonal in regards to the number of aircraft. I  
21 testified that they moved international flying,  
22 international is a seasonal market for the east, and

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1 having a reduction in the fall and winter schedule  
2 versus the spring and summer.

3 Q So you -- have you done some analysis of  
4 the seasonality?

5 A Yes, we have and we will be presenting  
6 that in our rebuttal case.

7 Q But you think it is fair to take a  
8 May 2005 data for the counting of captains on the  
9 west side and February 2006 on the east side?

10 A We are trying to get it as close to what  
11 the operating staffing level was for the east to  
12 make it as accurate for a position count as we did  
13 for the west. Our proposal is based on May 19th.

14 And looking further out the east side, and  
15 when the east had reduced to 221 aircraft was in  
16 February, I believe it was the second of February  
17 of '06, then that staffing level is what we applied  
18 at that time that it took to run US Airways, on the  
19 east. We felt that was an accurate number, an  
20 accurate reflection of what the manpower was  
21 required to run the airline.

22 Q You were here this morning when Captain

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1 Payne testified weren't you?

2 A Yes, I was.

3 Q Did you hear him testifying about how the  
4 staffing was going to ultimately come together and  
5 be closer to somewhere in the middle?

6 A Yes, I heard him testify to that.

7 Q I think Mr. Akins said the same thing too?

8 A I believe so. I would have to go back  
9 through his transcript, but I believe so.

10 Q Let me give you a copy of Exhibit E-3, we  
11 don't need to mark it again, it is already in  
12 evidence. Here are three copies for the America  
13 West merger committee. We have it handy so we will  
14 pass these up.

15 This was Captain Kirch's announcement in  
16 volume E of the staffing, and if you look at what we  
17 had was July 1, 2006 staffing for the America West  
18 pilots, and on the box on the right-hand side  
19 Captain Kirch has calculated what the captains,  
20 pilots that would be produced, if we applied America  
21 West staffing so the US Airways fleet, and it  
22 results in 431 additional jobs.

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1 So my question is, given these differences  
2 in staffing that ultimately will be fading away if  
3 not disappearing altogether, under the merged  
4 operation, where is the equity in taking the higher  
5 staffing numbers for America West to count captains  
6 and the lower staffing numbers for US Airways in  
7 counting captains, when ultimately it is all going  
8 to be under the same contract and the same operating



9 system?

10 A When you look at the reality of the merger  
11 and what it took each airline to operate with their  
12 given contract, in essence the east was stripped of  
13 their contract due to two bankruptcies and the close  
14 proximity to liquidation.

15 The staffing levels, obviously any airline  
16 is going to cut back manpower in a bankruptcy, and  
17 will be operating at lower staffing levels. For us  
18 to use any number, whether it is a higher or lower  
19 number, means that we would be creating positions  
20 for the east which would be a major windfall for the  
21 east, at the expense of the America West pilots.

22 The reality of the situation is it is what

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1 it says on the document. It took America West X  
2 number of pilots to fly whatever particular type of  
3 aircraft, and at the same time it took US Airways X  
4 number of positions to fly theirs.

5 I am not here to forecast what the future  
6 staffing level is going to be, I am just bringing  
7 the reality of the merger, and that balances out the  
8 inequities in the fact that they were going out of  
9 business, they were liquidating.

10 The America West pilots should not have to  
11 carry the burden of that into the future because of  
12 the fact that they had to cut to bare-bones minimum  
13 for staffing.

14 Q Well, aren't some of the inflated numbers

15 for staffing a result of the small America West  
16 fleet and small America West system? Look at the  
17 757, for example, on the bottom of the page, America  
18 West is operating 12 757's as of July 1, 2006, and  
19 with the number of captains and copilots indicated,  
20 staffing works out to 14.3 pilots per airplane on  
21 that small number of aircraft in the fleet. Whereas  
22 if you look above at the staffing at US Airways, for

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1 the same airplane it is 9.7 pilots per aircraft.

2           Isn't it a fact that when the two systems  
3 are combined under one contract, and there is more  
4 places for the 75s to overnight and fly to, there is  
5 just naturally going to be a more efficient use of  
6 the airplanes and pilots, whatever the contract  
7 says?

8           A    I can't comment on the efficiencies. All  
9 I can take is what each side brought to the merger,  
10 and the staffing levels that each side brought to  
11 the merger. And I am not here to guesstimate on  
12 where the company is going with their staffing  
13 levels in the future. And that in itself is a way  
14 of comparing apples to apples, is that look at what  
15 it took to run your fleet, look at what it took to  
16 run our fleet, and let's combine the two.

17           Q    When you built the list using ratios you  
18 did not extract and reinsert people whom you knew to  
19 be deceased, did you?

20           A    I think that is incorrect. We had taken,

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21 we had used our list of the effective pilots on a  
22 seniority list as of May 19th, so we had reduced all

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1 of the deceased pilots, reduced the pilots who had  
2 quit and also we extracted the medicals, as you can  
3 see in the Exhibit 25.

4 Q It is Exhibit 26?

5 A 26 is it, all right.

6 Q If a pilot died after May 19th, 2005 his  
7 or her name is on this list?

8 A Correct, because the list was, this merger  
9 proposal is effective from May 19th, the  
10 announcement of the merger. So we went to the list  
11 and we cleaned and scrubbed the list to the accuracy  
12 of May 19th. If the next day someone died we didn't  
13 go back and change the list to May 20th and then  
14 subtract a person. No, we did not.

15 Q People who retired on May 20th and  
16 subsequently, their names appear on this list in  
17 Exhibit 26, don't they?

18 A That would be correct, as well as, you  
19 know, anyone that had left the company for any other  
20 reason.

21 So what you are looking at is with the  
22 proposal is a snapshot of a point in time, a date in

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1 time and that is what our proposal is based on. It  
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2 is not a movable object, it is a point in time and  
3 integration from there.

4 Q I am going to mark as Exhibit G-11 and  
5 give you four copies of this, and three with three  
6 tabs for the panel.

7 Captain Stravers, Exhibit G-11 is a copy  
8 of a letter dated November 21, 2003, from your  
9 lawyer, Captain Rob McInnis, who was at the time the  
10 chairman of the ALPA former Canadian Airline Pilots  
11 Association merger committee. He was also a former  
12 president of the Canadian Airline Pilots  
13 Association. And in this letter Mr. Freund says in  
14 the very first paragraph that he was asked about  
15 pilots who had retired between the merger date and  
16 the date of the award, as well as management pilots  
17 and those on long term medical leave, and says it  
18 was an accepted methodology for treating pilots to  
19 extract them and reinsert them. Were you aware of  
20 that?

21 A I believe that is under the sentence  
22 "specifically you asked me?"

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1 Q Yes, the sentence that starts  
2 "specifically" -- and the next couple sentences?

3 MR. FREUND: Are you aware of the fact  
4 that I wrote this opinion letter?

5 MR. KATZ: Yes.

6 THE WITNESS: No, I am not. This is the  
7 first I have ever seen this letter.

8 BY MR. KATZ:

9 Q Are you aware that it is accepted  
10 methodology in the United States to deal with ratios  
11 in that fashion?

12 A I haven't read the document. I would have  
13 to review it to actually comment on that question.

14 Q Would you turn to page 3 please. There is  
15 a paragraph that starts "In contrast" -- in the  
16 second sentence says, "The whole purpose of  
17 constructing a list based on ratios is to assure that  
18 flying opportunities are apportioned between the two  
19 premerger pilot groups on a basis reflecting an  
20 arbitrator's or the parties' view of the nature of  
21 the transaction and the work opportunities  
22 contributed by each airline to the merged

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1 enterprise."

2 Then there is an example, and then the  
3 last sentence says, "It is for this reason," or "It  
4 is for that reason, that in my representation of  
5 pilot groups I always advise them to extract retired  
6 and inactive pilots from the respective lists during  
7 their internal modeling before exploring the  
8 consequences of various ratios."

9 Would you agree with that analysis?

10 A Well, if we could step back, the work  
11 opportunities contributed by each airline to the  
12 merged enterprise would it not be what each staffing  
13 level of each carrier was flying that brought to the

14 merger?

15 Q I am asking you whether you agree with the  
16 analysis that extracting people who are dead or  
17 retired or otherwise left during the time of the  
18 merger announcement and the time of the award, is a  
19 more accurate way to analyze the flying, the  
20 allocation of flying opportunities?

21 A Well, obviously the list is going to be  
22 aged out at that point in time, but on our list we

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1 had extracted everyone that was dead and retired  
2 from the May 19th list.

3 Q And then there is a section of the letter  
4 where your lawyer goes through and analyzes  
5 outstanding examples, precedents, and at the bottom  
6 of page 5 comes to the conclusion there are more  
7 awards and agreements extracting pilots in one or  
8 more of these categories than there are those  
9 declining to do so, and I would simply ask you  
10 whether you think the panel should follow that  
11 majority rule if they decide to ratio any portion of  
12 the list?

13 A I can't comment until I read the entire  
14 document, you know. If you are extracting a  
15 sentence here or there I have to read it to know the  
16 full context of the document before I can comment on  
17 any type of comments that may be made in regards to  
18 seniority integration.

19 Q Why don't do you that and comment in the  
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20 rebuttal phase of your case?

21 A Okay.

22 MR. FREUND: Maybe I will bring Dan's

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1 briefs in other cases in our rebuttal case.

2 MR. KATZ: Well, a brief is quite  
3 different from an opinion letter.

4 MR. FREUND: I would like to think a brief  
5 is precisely the litigants' view of things.

6 BY MR. KATZ:

7 Q You have left a hundred or so CEL pilots  
8 off the list entirely?

9 A That is correct.

10 Q Do you have any reasons that haven't been  
11 expressed through your counsel's letters to the  
12 panel to drop them off the list?

13 A I believe that issue is being handled as a  
14 separate matter before the board.

15 Q Are you aware there is litigation that has  
16 been brought against Airline Pilots Association over  
17 these pilots, there is litigation that has been  
18 brought by these pilots against the Association?

19 A I have heard talk of it but I haven't seen  
20 anything as far as a synopsis in detail of that  
21 point in fact.

22 CHAIRMAN NICOLAU: Is that something new,

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1 Mr. Katz?

2 MR. KATZ: Pardon.

3 CHAIRMAN NICOLAU: Is that something new?

4 BY MR. KATZ:

5 Q It was filed before the case started, this  
6 case. I mean there are always developments in a  
7 pending lawsuit?

8 I guess my question would be do you think  
9 it is a good idea for the panel to leave them off  
10 and invite the plaintiffs to amend their complaint  
11 to add another claim?

12 MR. FREUND: Objection.

13 CHAIRMAN NICOLAU: Yes, I don't think he  
14 has to answer that.

15 (Discussion off the record.)

16 CHAIRMAN NICOLAU: Let's go back on the  
17 record so you can state your position and both sides  
18 can agree that the executive council resolution will  
19 be given to the panel. Am I right?

20 (Discussion of the record.)

21 MR. KATZ: That is correct. We would be  
22 happy to make a joint exhibit of the executive

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1 council resolution dealing with pilots who have  
2 seniority numbers on both lists. We believe there  
3 are approximately 19 of those pilots, that all 19  
4 are working at America West as copilots and on  
5 furlough from US Airways, and have not been offered



6 or accepted recall at this point.

7 And it is the position of the US Airways  
8 merger committee that these 19 pilots should be  
9 permitted by the panel to continue to hold these  
10 numbers on both lists until the point in time when  
11 management takes action to limit their use or  
12 retention of one of the numbers or the other.

13 And that the panel's decision should  
14 include the pilots with both of their numbers on the  
15 final award, and not do anything to limit or  
16 restrict their ability to use them other than the  
17 general conditions and restrictions that have been  
18 agreed to or that may be imposed by the award of the  
19 panel.

20 MR. FREUND: And we agree with Dan's  
21 description almost entirely, save for one caveat,  
22 and that is we believe that the panel ought to, of

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1 course, keep the pilots on both lists, keep the  
2 numbers on both lists, and that the decision of the  
3 ALPA Executive Council, whatever it may mean, that  
4 is to say that this panel ought not try to interpret  
5 the decision of the ALPA Executive Council, ought to  
6 be the operative conditions with respect to those 19  
7 or so pilots' use of their numbers on one or the  
8 other of the lists. I don't think that we are in  
9 the business of trying to second-guess what it is  
10 that ALPA --

11 CHAIRMAN NICOLAU: Give us the resolution

12 next week, if we have any questions about it we will  
13 ask it then.

14 MR. KATZ: Okay.

15 CHAIRMAN NICOLAU: Okay.

16 MR. KATZ: I don't have any more questions  
17 for this witness.

18 I guess I want to mention the dispute we  
19 had about the Eischen ruling, and I guess that what  
20 makes sense is not to argue it now but to deal with  
21 that next week.

22 CHAIRMAN NICOLAU: Okay.

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1 Any redirect?

2 MR. FREUND: I need five minutes. If I  
3 have any it won't be long.

4 CHAIRMAN NICOLAU: Okay, very good.

5 (1:42 p.m. -- recess -- 1:53 p.m.)

6 MR. FREUND: I have three subject areas  
7 which might generate five questions.

8 CHAIRMAN NICOLAU: Are you keeping the  
9 count?

10 MR. BRUCIA: I stopped.

11 MR. FREUND: I said might, maybe.

12 CHAIRMAN NICOLAU: Thank you. Take your  
13 time.

14 REDIRECT EXAMINATION

15 BY MR. FREUND:

16 Q Cross-examination Exhibit 10 is the  
17 project Barbell-Seabury Group report?

18 A Yes.

19 Q You already told us that this was -- we  
20 made clear on the record that this was developed and  
21 you testified this was developed after the merger  
22 was announced, correct?

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1 A That is correct.

2 Q So, no America West pilot, had he or she,  
3 how do I phrase this, this document could not have  
4 formed the basis for any America West pilot's  
5 expectations regarding his or her career prior to  
6 May 19th, 2005, correct?

7 A Correct.

8 Q Additionally, you are aware, are you not,  
9 that the Seabury Group in fact was the US Airways  
10 company's financial advisor, not the America West  
11 financial advisor?

12 A Yes, that is correct.

13 Q Dan asked you about whether America West  
14 was immune from the financial, from the economic  
15 consequences that were generally applicable to a  
16 whole list of other carriers that he went through,  
17 Delta, Northwest, American, you said that they  
18 weren't really immune from it, but all of those  
19 other carriers were what have been commonly referred  
20 to as legacy carriers, correct?

21 A That is true.

22 Q And America West is what was then and what

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1 is now, what then was pejoratively called and what  
2 is now fashionably called a low-cost carrier?

3 A That is correct.

4 Q And in point of fact, America West had, at  
5 the time of its bankruptcy, had converted itself in  
6 to what it is today, not today, what it is -- what  
7 it was on May 19th or May 18th, 2005, correct?

8 A That is correct.

9 Q And Delta and Northwest, United and the  
10 legacy carriers are all now through their  
11 bankruptcies attempting to emulate the America West  
12 approach, correct?

13 A That is true.

14 Q And then finally, Dan asked you whether  
15 there was anything other than the grammatically  
16 dissected press release that Kevin Barry and I spent  
17 so much amusing time working on a couple weeks ago,  
18 to support the 221 plane fleet at US Airways and you  
19 said there wasn't anything else. In point of fact,  
20 had the company liquidated what would the fleet be?

21 A Zero.

22 Q That is all I have got.

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1 CHAIRMAN NICOLAU: Mr. Katz?

2 RE CROSS EXAMINATION

3 BY MR. KATZ:

4 Q Let me show you a document that has been  
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5 marked Exhibit G-4 of the US Airways documents,  
6 shows that the America West investor update June  
7 2005, and it says in text that part of America West  
8 recently announced plan to merge with US Airways.  
9 America West has negotiated to return aircraft to  
10 lessor's and defer to aircraft deliveries, whether  
11 or not the merger closes. And then it shows the  
12 fleet at 143 for the fourth quarter of 2005 and  
13 thereafter.

14 Isn't that how this management that you  
15 are so proud of quickly reacted to the situation of  
16 rising fuel prices and other economic forces?

17 A I -- that document obviously is a result  
18 of the merger and not the premerger expectation that  
19 were in effect in April when the 161 aircraft were  
20 reaffirmed for the investors report of April 20th of  
21 '05.

22 Q So the things that you like you look at

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1 whether or not they are after May 19th, but the  
2 things you don't like you put blinders on when they  
3 happened --

4 MR. FREUND: Objecti on; argumentati ve.

5 CHAIRMAN NICOLAU: Anythi ng el se, Mr.  
6 Katz?

7 MR. KATZ: Nothi ng el se.

8 MR. FREUND: Nothi ng further.

9 CHAIRMAN NICOLAU: Anythi ng?

10 MR. BRUCIA: Not of thi s wi tness, no.

11 CHAIRMAN NICOLAU: Captain, tell me once  
12 again why it is that the America West's committee  
13 decided not to use the merger date as the career  
14 expectation and the staffing level for both sides.

15 THE WITNESS: Well, we felt that as of the  
16 merger announcement date that there was going to be  
17 a whole series of events in motion that would be  
18 generated going towards the merger, and that wasn't,  
19 that wouldn't give a clear indication of what the  
20 pilots' expectations could be because there would be  
21 all type of changes that would be going on as a  
22 result of the merger.

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1 CHAIRMAN NICOLAU: But you said that  
2 career expectations of the America West pilots to be  
3 measured as of when.

4 THE WITNESS: As of May 19th.

5 CHAIRMAN NICOLAU: And USAir pilots?

6 THE WITNESS: We feel that the USAir  
7 pilots can, you know, that they have the same career  
8 expectations. Our adjustments that we made in fleet  
9 size was dealing with the fact that prior to  
10 May 19th they had, our documentation says that they  
11 would be reducing to 211 aircraft, so that is how we  
12 were using the career expectations.

13 CHAIRMAN NICOLAU: Okay, thank you.

14 Are there no further witnesses?

15 MR. FREUND: No, nothing further.

16 MR. KATZ: There is one further -- oh, I  
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17 am sorry. Did you want to say you rest or  
18 something?

19 MR. FREUND: Yes, or something.

20 CHAIRMAN NICOLAU: That is what I was  
21 going to ask him, but what?

22 MR. KATZ: Let me just finish up a report

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1 from Phil Carey on the check air men. He has  
2 compiled a package of documents that shows where  
3 the --

4 CHAIRMAN NICOLAU: Don't give them us.  
5 Have you given them to the other side? You know, I  
6 asked the sides to work this through.

7 MR. KATZ: Ken, you were on the --

8 MR. FREUND: I think we ought to just keep  
9 working our way through to a conclusion on this.

10 CHAIRMAN NICOLAU: This is one of the  
11 matters I was going to reiterate right now, that the  
12 two sides ought to meet and try to find out whether  
13 they can make, whether they can agree on doing it  
14 the same for both sides.

15 And I don't want to see the list now, or  
16 the one report. I want you folks to sit down and  
17 try and do it. All right?

18 MR. FREUND: All right.

19 MR. KATZ: Understood.

20 CHAIRMAN NICOLAU: So we are through with  
21 the witness.

22 You had a few comments --  
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1 MR. BRUCIA: Do you want to talk about the  
2 list of dates?

3 Do you want to excuse him?

4 CHAIRMAN NICOLAU: Yes, you are excused.

5 MR. BRUCIA: Along the lines of the same  
6 kind of staffing situations we have been talking  
7 about, there has got to be a way to determine at  
8 some point through your respective manpower planning  
9 or staffing people at the respective carriers,  
10 obviously, what in fact were the number of captain  
11 positions in the airline that existed at these  
12 dates.

13 Both sides are using different seniority  
14 lists dates, fine. That is our problem to work out  
15 which one we are going to use, combinations or a  
16 third permutation, who knows. But the point is it  
17 would be very helpful to us to know how many  
18 captains, how many first officers existed,  
19 commensurate with the dates of the seniority lists  
20 you are using.

21 Now, that has got to be available from  
22 historical information from manpower/staffing,

1 whatever the corporate cultures call that, but it  
2 has got to be available, and I would like to see



3 that. It would be a big help to us.

4 MR. KATZ: I think we put it in the volume  
5 B as of Tab 1, was the data as of May 19th, 2005 for  
6 US Airways, September 27, 2005 for America West,  
7 because that is what we had.

8 MR. BRUCIA: Right, and then --

9 MR. KATZ: Let me just finish what I was  
10 saying.

11 MR. BRUCIA: Go ahead.

12 MR. KATZ: Then we have a later tab, I  
13 think it is number 17, no, 11, B-11, is the July 1,  
14 2006, staffing for both airlines, which we then used  
15 in the computer model to analyze the list that we  
16 set forth.

17 CHAIRMAN NICOLAU: As you notice there are  
18 a few different dates in there.

19 MR. BRUCIA: Yes, and again it does not  
20 bear with any of the information you have put in,  
21 but the America West side has been using a 9-27 --  
22 no, that is not correct. You guys are using 9-27

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1 for their data.

2 MR. KATZ: Yes, that is their earliest  
3 date that we have.

4 MR. BRUCIA: There's got to be agreement.

5 MR. KATZ: There is also, I think Bob --

6 CAPTAIN ROBERT KIRCH: The confusion, I  
7 think, is we have used two lists. We chose July 1,  
8 '06, and provided the full breakdown for that one,

9 for the certified list. Of course we didn't have a  
10 May 19th for America West, we only had  
11 September 27th. The question I think, maybe what  
12 you are getting at, is America West guys are now  
13 talking about May 19th, but have provided no  
14 staffing to go with that.

15 MR. BRUCIA: Exactly, exactly. I would  
16 love to get that if at all possible. If it is not  
17 possible let us know, but I just can't imagine  
18 corporate doesn't have it. You can always back it  
19 in from looking at bid packages, et cetera,  
20 et cetera, how many lines were awarded that month,  
21 et cetera.

22 CHAIRMAN NICOLAU: Anything else?

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1 MR. BRUCIA: No, sir.

2 CHAIRMAN NICOLAU: Okay. Now, we have got  
3 next week for rebuttal. You are first?

4 MR. KATZ: Yes.

5 CHAIRMAN NICOLAU: Two days.

6 MR. KATZ: Right.

7 CHAIRMAN NICOLAU: Then off to beautiful  
8 Camden.

9 MR. KATZ: Right.

10 CHAIRMAN NICOLAU: Then two days for you.

11 MR. FREUND: Right.

12 CHAIRMAN NICOLAU: I don't know whether  
13 you have talked about briefing schedules yet --

14 MR. KATZ: I think we said 30 days.

15 MR. FREUND: Yes, I guess we have talked  
16 about it informally. That seems to work for me. We  
17 could give it do it for a little longer just to give  
18 Lisa and Jason, in light of the fact I don't think  
19 there is any rush to get this done.

20 CHAIRMAN NICOLAU: We will talk about  
21 that. You may want a few more days there. The  
22 board hasn't decided when it is going to meet on

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1 these issues yet, so we are trying to work that  
2 through.

3 If there is nothing else, we are recessed  
4 until Monday at 10:00.

5 MR. KATZ: 10:00 is fine.

6 CHAIRMAN NICOLAU: Okay.

7 Jeff, Monday at 10:00?

8 MR. FREUND: Yes, Monday at 10:00 is fine.

9 Just if we can stay on the staffing ratio  
10 issue for a moment.

11 MR. KATZ: Do you want to do this on the  
12 record.

13 MR. FREUND: Was your question on the  
14 record?

15 CHAIRMAN NICOLAU: Yes, it was.

16 MR. FREUND: Maybe this ought to be on the  
17 record then, too.

18 Our Exhibit 25.

19 MR. BRUCIA: That is right. We don't have  
20 to go with the multiple volumes in your case.

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21 MR. FREUND: Our Exhibit 25 reflects the  
22 staffing for the captain staffing, for the fleet for

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1 the west fleet based on the May 2005 preferential  
2 bidding system data, okay? So that is, there is a  
3 corporate basis for that number.

4 Now, we don't have that for FO's because  
5 of the way in which our list is constructed. We add  
6 some numbers to the actual captains and everyone  
7 else is an FO, on the list. So we have a corporate  
8 basis for our captain staffing calculations.

9 MR. BRUCIA: Okay. But --

10 MR. FREUND: For May of 2005.

11 MR. BRUCIA: First question which I can't  
12 answer, is that something that the data exchange you  
13 guys have agreed to those numbers. Have they have  
14 the chance to proof all that?

15 MR. KATZ: No, we have never seen those  
16 numbers.

17 MR. BRUCIA: That is my question, fine.

18 MR. KATZ: Second thing is, I think that  
19 is an apples and oranges thing, because this is the  
20 preferential bidding system as opposed to the  
21 vacancies --

22 MR. BRUCIA: That is where I was going to

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1 go next. Being somewhat familiar with the  
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2 preferential system, the number of captain awards  
3 versus the number of captains that were staffed and  
4 how many are going to be on reserve and what your  
5 percentage of line holders to reserves is and things  
6 like that, are all incorporated in this question.  
7 That is why we need basic raw data on these things  
8 that you need to cross talk with the other side so  
9 everybody agrees to it. Okay.

10 MR. FREUND: Well, whether we agree or not  
11 agree, but we can produce the information, and will,  
12 as best I can think our way through. It is likely  
13 to produce a higher number of captains on the west  
14 side than is said here. But we will go down that  
15 road.

16 MR. KATZ: You produce it, we will take a  
17 look at it.

18 MR. FREUND: I assume you will.

19 CHAIRMAN NICOLAU: Very good. We stand in  
20 recess.

21 (Whereupon, at 2:07 p.m., the hearing was  
22 recessed, to be reconvened at 10:00 a.m., on Monday,

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1 January 22, 2007.)

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C O N T E N T S

WITNESS	EXAMINATION
RUSSELL JOHN PAYNE	
By Mr. Freund	DX 2146, RDX 2206
By Mr. Katz	CX 2182, RCX 2209
KENNETH JOHN STRAVERS	
By Mr. Freund	DX 2211, RDX 2284
By Mr. Katz	CX 2242, RCX 2287

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