

**LOCAL IMPACT OF PROPOSED US AIRWAYS/
UNITED AIRLINES MERGER**

HEARING

BEFORE THE

SUBCOMMITTEE ON ANTITRUST,
BUSINESS RIGHTS, AND COMPETITION

OF THE

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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LOCAL IMPACT OF PROPOSED US AIRWAYS/ UNITED AIRLINES MERGER

MONDAY, JULY 10, 2000

U.S. SENATE,
SUBCOMMITTEE ON ANTITRUST, BUSINESS RIGHTS,
AND COMPETITION,
COMMITTEE ON THE JUDICIARY,
Pittsburgh, PA.

The subcommittee met, pursuant to notice, at 12:15 p.m., in the Gold Room, Allegheny County Courthouse, Pittsburgh, PA, Hon. Arlen Specter presiding.

Also present: Senator Rick Santorum.

OPENING STATEMENT OF HON. ARLEN SPECTER, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SPECTER. If we may proceed. It is 12:15. We have a long list of witnesses. Good afternoon, ladies and gentlemen. This hearing of the Antitrust Subcommittee of the Senate Judiciary Committee will now proceed.

This is the third in a series of hearings on the proposed merger for acquisition of US Airways by United. Senator Santorum and I met with the chief executive officers of the two airlines on May 25.

The Judiciary Subcommittee had a hearing in Washington on June 14 and a hearing in Philadelphia on June 26. We shall have another hearing by the subcommittee in the Lehigh Valley on July 24.

This is a major issue confronting the United States, really, beyond the United States, the world, on air travel, and most specifically and emphatically on Pennsylvania.

United is the world's leading airliner, US Airways number 6 in the United States and number 10 worldwide, some 19,000 jobs in Pennsylvania and some 11,700 of those jobs here in Pittsburgh.

So it's a matter of enormous impact to Pennsylvania, and it has very, very substantial impact implications to the country.

There is a concern that this merger may set off a wave of mergers. There is talk of a possibility of American combining with Northwest and Delta with Continental Airlines, and it is widely believed that the United acquisition of the now defunct Pan Am Airways in November 1985 spurred Northwest Airlines' acquisition of Republic, which has led to certain market dominations.

The issues facing the country are matters which Senator Santorum and I are obviously concerned about as U.S. Senators, and we have a particular parochial interest in Pennsylvania be-

cause of the very heavy impact of USAir and United, also, in Pennsylvania.

I am pleased to hear that there has been a commitment made on the reservation center just on Friday. I am pleased to hear there has been a commitment made on no more furloughs, no furloughs, with an extension of the 2-year period. But there remain many, many additional questions which are unanswered or have been unanswered for now more than 45 days.

The issue of the furloughs, no furloughs, is good news, but the question as to whether people will be compelled to move away to make a nonfurlough policy ineffective—if you have to move to some far distant city, that doesn't mean you keep your job, doesn't mean you keep the same job, and it may result in not being able to keep the job.

The issue of the maintenance center is one which Senator Santorum and I raised initially and, in fact, wrote to both airlines on May 24. Forty-five days have passed, and we haven't gotten an answer.

We have looked to see what will happen in quite a number of specifics. I asked about the issue of written commitments at the hearing in Washington and have no assurance. I asked the question in Philadelphia and have no assurance, and unless these commitments are reduced to writing, such as the not raising the fares, so we have a question there with the category of fares enumerated being only 15 percent of the alliance, unless we have assurances in writing, it really is totally insufficient.

I noted in yesterday's Washington Post the disclosures that there will be enormous benefits which will accrue to the executives of US Airways. Chairman Wolf is due to have \$11.6 million in benefits, and chief executive officer, Ralph Gangwal, \$12.8 million in benefits, additional benefits to others.

And the question in my mind—there are two questions. Who is going to pay for all of that? It has to come out of somewhere. And the second question is one which bears on the issue of reliability on and objectivity in making a recommendation of the merger.

Someone has a \$12 million outcome in the merger, I have grave questions as to objectivity. It doesn't rule it out, but in my mind it raises a material question.

I started out being skeptical about this merger, as I announced at the first meeting with the CEO's, and, candidly, I'm more skeptical today than I was before.

I am skeptical because 45 days have passed with a good many questions which Senator Santorum and I have put on the table which haven't been answered, and there are a lot of people with anxieties in Pennsylvania, 17,000 people with anxieties around the country. And the CEO's have had answers to their questions, and I would like to have answers to the questions for the rank and file as both a Pennsylvania and a U.S. Senator.

But speaking for myself, I'm going to continue to scrutinize the matter very carefully. I'm going to keep an open mind on it, but the longer the questions remain outstanding, the more candidly, again, my skepticism grows.

Senator Santorum and I have worked on this jointly. He has been very, very diligent in this issue, as with the others, and I'm glad to yield to him at this time for his opening statement.

STATEMENT OF HON. RICK SANTORUM, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SANTORUM. Thank you, Mr. Chairman, and thank you for holding these hearings across the Commonwealth and for the work that you've done along with the Subcommittee Chairman, Senator DeWine from Ohio, on holding the hearing in Washington, DC.

I think it's very important that we continue to monitor this situation. I think you're absolutely right. There are a lot of questions that still need to be answered. I think I made myself perfectly clear as to what the bottom line is for me.

I feel that their merger has a potential up side for Pennsylvania. Certainly, as I travel in and out of the airports, and I've been doing a lot of that recently, traveling in and out of the airports around Pennsylvania, there is, I think, some optimism on the part of USAir employees. In Philadelphia, there is a lot of construction going on out there. The potential of this owning up Philadelphia as a major hub airport for international travel to Europe is a tremendously positive thing for that airport.

So I see this as a clear winner for the people of Philadelphia and for the economy of Southeastern Pennsylvania.

With respect to the rest of the state, again, the commitments that we seem to have are solid in the sense that, you know, I have not seen any, nor heard of any talk of losing any service in any of the commuter areas throughout Pennsylvania.

But it leaves us to why I think this hearing is the most important one, frankly, is because the area that I have the gravest concerns is here in Pittsburgh.

And I do so for several reasons. No. 1, the bulk of the employee population of US Airways is right here. No. 2, one of the major facilities where those employees reside is a maintenance facility here, where there was a commitment from US Airways to build a maintenance facility and to build it here in Pittsburgh.

We do not have that commitment under this merger. And the impact on jobs would be tremendous, but I think it goes beyond that. We have a commitment that Pittsburgh will remain a hub, and I understand that, and I appreciate that.

But I also realize that Pittsburgh has one of the lowest, for a hub, one of the lowest number of originations of any hub of its size in the country. And the fact that we have the best airport in this country I think helps us in the long run.

But I would like to see some more anchoring of United here in this community other than just a hub. And I think the best way to do that is through a maintenance facility.

Because if you have a maintenance facility you're going to have to have airplanes there, and the best place to have a maintenance facility is the place where you have a lot of airplanes, and that would be a hub.

So I think the maintenance facility goes beyond just helping create and keep those jobs here in Pittsburgh, but I think it also can

have the beneficial effect of bolstering the long-term survivability of Pittsburgh as a hub airport.

And if Pittsburgh stays as a hub, and I hope that it will, I think that has tremendous benefits to Southwestern Pennsylvania, with increased service, particularly west of here, that United would bring, that US Airways has not, with one-stop service to the Orient and to South America and Central America.

Again, I think it would be positive things for our economy here in Southwestern Pennsylvania. Arlen mentioned, you know, we're U.S. Senators, but I'm a Senator from Pennsylvania, and my first and foremost consideration is how it impacts Pennsylvania.

And at this point I'm not sure that I can answer that question. And until I have the questions answered as to how the merger is going to impact the people here in Pittsburgh, both from the maintenance facility and some of the other facilities that are here and some of the other employees that are here, I'm going to withhold my support or, in fact, my opposition.

But I would say, and I will say to the representatives from the companies, that there are a lot of folks out there who are not in the service area who are in Congress who are very, very concerned about this merger and the potential domino impact.

And I would suggest that if you want some folks from the other side, get us the answers that we need, so we can go to bat for you. Because if you don't get us the answers, I'm willing to sit in the dugout until the answers are given to me.

Senator SPECTER. Thank you very much, Senator Santorum. We have a very distinguished first panel today.

The attorney general of Pennsylvania, Mike Fisher, elected in 1996. Before that he was in the Pennsylvania General Assembly for 22 years, 16 in the senate, 6 in the house, former assistant District Attorney, candidate for Governor, candidate for Lieutenant Governor, very successful and distinguished public servant.

Attorney General Fisher, welcome, and we look forward to your testimony. We're going to set the time at 5 minutes, and we ask that that time be observed to the extent possible, leaving the maximum time for dialog, questions and answers.

The floor is yours, General.

PANEL CONSISTING OF HON. MIKE FISHER, ATTORNEY GENERAL, PITTSBURGH, PA; JAMES RODDEY, CHIEF EXECUTIVE OF ALLEGHENY COUNTY; HON. TOM MURPHY, MAYOR, PITTSBURGH, PA

STATEMENT OF HON. MIKE FISHER

Mr. FISHER. Thank you very much, Senator Specter, Senator Santorum. We certainly appreciate your interests in holding these hearings and participating in them. I appreciate the opportunity to have this chance here in Pittsburgh to address some of my concerns about the merger.

Before I begin, let me update you a little bit on the status of our investigation with an important caveat. We're conducting a joint investigation with the U.S. Department of Justice, 25 other states and the District of Columbia.

My staff and I are leading this investigation, at least from the State's standpoint, with the State of New York.

Under the Department of Justice's Federal/State merger protocol and the National Association of Attorneys General merger compact, which govern multistate merger investigations, we're required to keep all of the information received from the parties confidential, unless we file suit to block the merger. Even then the information can only be used in the context of a law enforcement proceeding.

Therefore, I cannot comment or share the information that we have been provided so far, but I do want to share with you some of my thoughts.

I also want to mention that although our investigation is joint, we are not bound to come to the same conclusion and follow the same result as the Department of Justice.

I have great concern about the implications of this merger on airline competitiveness in Pittsburgh, across the Commonwealth, and across the Nation. We'll make a decision on whether to challenge the merger after reviewing all of the information provided by the parties, comparing that information obtained in our investigation, and reviewing that information with our economists.

Let me talk about several issues today.

First consumers, especially small business consumers, are really steamed about the high cost of air travel in the Northeast. The cost to fly from Harrisburg to Pittsburgh is an outrageous \$550 today.

My office and staff and I often take the 4-hour drive rather than flying the quick 35-minute flight because of that reason.

This problem exists not only for consumers in Pittsburgh, but also for consumers throughout the Mid Atlantic and New England states. I can give you numerous examples of other unbelievably high fares.

The airlines say these high fares reflect the high costs of serving a small number of consumers on short haul routes. However, on some short haul routes where there is competition, there are good prices.

For example, US Airways' 327-mile flight from Baltimore to Providence is only \$178. The trip from Pittsburgh to Philadelphia, which is about the same distance, is three times that amount. Why? One answer. Southwest Airlines.

We have to look carefully at whether this acquisition will improve the situation or make it worse.

Second, the other thing that gets consumers steamed as much as high cost is the abysmal and declining quality of service. Ask anyone who travels today. It's not uncommon to hear of flights delayed several hours, flights canceled, flight times longer than usual and not a lot of basic information.

Third, everyone is concerned and interested in new service. It's very important in the Northeast, because this market has been dominated by US Airways for very long. The service does not begin or stop in either—unless it comes into a hub. There isn't the kind of service.

Giving an example, there was one not too long ago nonstop service—Senator Specter probably remembers this—between Erie and Harrisburg. Because it's no longer a hub, that service has been dis-

continued. We need to be concerned about the availability of new service as a result.

Finally, several airports have capacity restraints. In Philadelphia it's gates. At LaGuardia it's take off and landing slots. We have to look at whether the control over the majority of that capacity at airports like these will further reduce competition.

We've been asked about some divestitures. Quite frankly, the United US Airways have proposed DC Air out of Reagan National. We're not sure that that divestiture is sufficient.

With that, Senator Specter, Senator Santorum, I'll conclude my remarks. But let me say that as with my colleagues in 25 other states, we're concerned not only about this merger, but the impact that this merger will have upon future mergers in the airline industry across this country.

I'm greatly concerned about the creation of what would constitute an airline oligopoly in this country with perhaps only three major airlines controlling most of the domestic flights.

Those are the issues we'll be looking at. We'll be pleased to share with you our findings as we proceed through this, but once again I want to thank you for your commitment to holding these hearings.

Senator SPECTER. Thank you very much, Attorney General Fisher. We now turn to the distinguished chief executive of Allegheny County, James Roddey, elected to that position last November, graduate of Texas Christian University, captain of the Marines, past president of Charter Communications Corporation, and Rolands Communications.

So he brings a lot of energy and determination to his new job and, welcome, Mr. Roddey, and we look forward to your testimony.

STATEMENT OF JAMES RODDEY

Mr. RODDEY. Thank you, Mr. Chairman, and thank you Senator Santorum for conducting these hearings. We're particularly pleased that you have taken the very high level of interest that you have in this issue, which is vitally important for our region.

I have submitted written testimony, and I will depart from that in the interest of time and just hit a few of the highlights that are number one on our agenda.

Senator SPECTER. Your full statement will be made a part of the record, and we appreciate your approach.

Mr. RODDEY. Thank you. No. 1, with the hardships endured by our region in the 1970's and 1980's, the word merger makes us all very nervous. One of our foremost concerns is for the approximately 11,700 individuals currently employed by US Airways at Pittsburgh International Airport.

We need a commitment that these jobs will remain in our region. We have had the early commitment that no one would be furloughed for 2 years, but we understand that that has now been lifted by United Airlines, and they are guaranteeing every person employed with US Airways a job permanently.

However, we do not know how many people would remain here and how many might be transferred, although we have had, as you mentioned earlier, the commitment as recently as Friday that the reservation center, some 800 jobs would remain in this region.

No. 2, the taxpayers of Allegheny County provided the financial vehicle through bonds to fund the construction of the \$800 million midfield terminal complex at Pittsburgh International Airport. US Airways is the principal guarantor of those bonds.

US Airways presently uses 90 percent of the midfield terminal and pays the majority of the outstanding debt, which totals over 700 million today. We need written assurances that United Airlines will assume existing lease and guaranteed payments of all future obligations of US Airways.

We have had those commitments verbally, but as you, we would like to see those reduced into writing.

With the significant Federal support and the expectation that Pittsburgh would be a major hub, the international airport opened in 1992. US Airways currently operates about 515 flights a day to 110 nonstop destinations throughout the United States and Europe.

United Airlines must commit to maintain at least the existing level of service, and that commitment should be included in the conditions of approval in the merger by the Justice Department.

On a long-term basis, Pittsburgh must remain a significant U.S. domestic hub. Once again, we have had assurances that, in fact, the flights will increase, there will be more destinations, more international flights available, but we would like to see those commitments in writing.

By year's end US Airways and United Airways will have an extensive fleet of Airbus aircraft with numerous new aircraft on order. Both airlines have indicated the need for a new maintenance facility to perform maintenance and safety checks on these aircraft.

A skilled work force is available right now in Southwestern Pennsylvania to perform these tasks, and the needed facilities have already been designed for construction at Pittsburgh International Airport, and we are very, very concerned that we get this new maintenance facility as you mentioned in your opening remarks.

We have been told by United Airlines that they will give us an answer before the end of this month, and I am optimistic that that answer will be positive. We don't have it yet, but we are hoping that we do get that commitment.

And I must add, Senators, both US Airways and United Airlines have been very cooperative in the meetings that I've had with both the chairman and the other officials, and I am optimistic again that we will get these commitments that we need in writing.

Finally, just let me say that if this merger is not approved, I think we should also be considering the alternatives. US Airways is not a strong financial organization. Should we have a down turn in the economy, it is very possible they could be in trouble. And they are now in play, and it is logical to assume that at some point they are going to be sold.

We need to analyze, as we analyzed this merger, whether or not United Airlines is a better fit than perhaps some other airlines or some other alternatives, the airline perhaps being broken up and sold to other airlines. That perhaps would have more dire consequences for this region than the merger being contemplated now.

Thank you, Mr. Chairman. That concludes my remarks. Thank you, Senator Santorum.

[The prepared statement of Mr. Roddey follows:]

PREPARED STATEMENT OF JAMES C. RODDEY

Good morning, Mr. Chairman and Committee Members. My name is Jim Roddey and I am the Chief Executive of Allegheny County, Pennsylvania. I would like to thank the Committee for this opportunity to present our region's views on United Airlines' \$11.6 billion acquisition of US Airways.

In the early 1980s unemployment in Pittsburgh was at its height following the closure of virtually all the major steel mills. The region suffered the largest job loss per capita in our country's history. By the early 1990's, the city was only reporting half the job growth of the national average.

We have been working diligently to recover, and finally our region is beginning to grow. 120,000 people are employed in the technology field. That represents 12% of the workforce and 18% of the payroll. Our colleges and universities are world-renowned and we stand among the top ten centers in medical research.

Today, Pittsburgh is the corporate headquarters of many Fortune 500 companies. We have numerous business parks nurturing both U.S. and foreign investment. Multinational companies like Sony and Bayer have located in the region and many local corporations like H.J. Heinz, Alcoa and PPG continue to succeed in the global marketplace.

Pittsburgh International Airport (PIT) is the world's gateway for Pittsburgh, southwestern Pennsylvania, northern West Virginia, and eastern Ohio. It is an integral part of the economic fabric of its serving area, creating over 18,000 direct airport-related jobs and over \$3.5 billion a year in economic impact.

PIT has received worldwide recognition for its now famous Airmall[®], featuring over 100 retail, specialty services and food and beverage stores all at guaranteed street prices. Its distinctive 900-acre X-shaped terminal is designed to give connecting passengers easy access to all 75 gates without ever changing levels or terminals. And just last year, because of its traveler-friendly design, the readers of Condé Nast Traveler magazine voted Pittsburgh International Airport the best airport in North America and the third best airport in the world.

Pittsburgh International is an expanding airport with a significant list of development projects. This month, we opened a Hyatt-Regency airport hotel and conference center. We also plan to more than double the cargo ramp and building capacity, and we are creating a Business Aviation Center and a 300,000 square foot Airside Business Park.

PIT covers more than 12,000 acres, making it the third-largest airport complex in the U.S., so large that you could fit Atlanta and Chicago O'Hare airports within its boundaries. The huge amount of space we have available gives us many advantages. The apron is large enough for one aircraft to pull back from the gate while another is pulling into the same space. The system of taxiways surrounding the entire airside building allows aircraft to exit the runways at a greater speed, taxi in either direction and avoid delays. And we have excess airspace and airfield capacity to accommodate future growth.

Located roughly midway between New York and Chicago, Pittsburgh lies within one hour's flying time of nearly 50 percent of the U.S. and Canadian populations or 71.3 million people, and 63 percent of U.S. manufacturing output.

And don't worry about the weather. Smooth operations regardless of the weather make PIT North America's airport of choice for reliability.

Clearly, Pittsburgh International Airport is one of the northwestern Pennsylvania region's most significant assets. Presently, US Airways has a major hub agreement at Pittsburgh International Airport generating 515 flights per day both domestically and internationally. With United Airlines and US Airways announcement on May 23, 2000, I am deeply concerned not only about the continued presence of a major hub at Pittsburgh International Airport, but also for the continued employment of the approximately 11,700 employees of US Airways in southwestern Pennsylvania.

With the announced acquisition by United of US Airways, it is imperative that a number of matters that affect our region are contained in any Conditions of Approval, which the Department of Justice and Department of Transportation would make, if they should decide to grant approval for this merger.

While the discussions I have had with James Goodwin of United Airlines and Stephen Wolf of US Airways have been very positive, contracts between parties often do not turn out as contemplated. Therefore, I request that this Committee urge the Department of Justice to ensure the following items are addressed in their Order:

1. With the hardship endured by our region in the 70's and 80's, one of our foremost concerns is for the approximately 11,700 individuals currently employed by US Airways in southwestern Pennsylvania, eastern Ohio and northern West Virginia.

We need an absolute commitment contained in the Conditions of Approval of this merger that these jobs will be maintained in our region beyond United's two-year pledge.

2. The taxpayers of Allegheny County provided the financial vehicle through bonds to fund the construction of the \$800-million Midfield Terminal Complex at Pittsburgh International Airport. US Airways is the principal guarantor on those bonds. US Airways presently uses nearly 90 percent of the midfield terminal and pays the majority of the outstanding debt, which totals over \$700 million. We need written assurances that United Airlines will assume US Airways existing lease and guarantee payment of all future obligations of US Airways.

3. With significant federal support and the expectation that it would be a major hub, Pittsburgh International Airport opened in 1992. US Airways currently operates approximately 515 flights a day to 110 non-stop destinations throughout the US and Europe from Pittsburgh International Airport. The Airport is the economic engine of the region and provides us access to the world and the world access to our region. While United flies mostly east-west domestic flights and international routes, the US Airways strength is in its north-south routes on the East Coast, we must be certain that the existing level of service is maintained and included in the Conditions of Approval of the merger. On a long-term basis, Pittsburgh must remain a significant US domestic hub.

4. By year's end, US Airways and United Airlines will have an extensive fleet of Airbus aircraft with numerous new aircraft on order. Both airlines have indicated a need for a new maintenance facility to perform maintenance and safety checks on these aircraft. An excellent, trained workforce is available right now in southwestern Pennsylvania to perform these tasks and the needed facilities have already been designed for construction at Pittsburgh International Airport. We ask your help in urging United Airlines to follow through with US Airways plans to construct this facility, and commit to do so within the next two years.

Pittsburgh International Airport is strategically located in North America to reach much of the population of the United States and Canada within 1-hour flying time. National and international travelers give Pittsburgh International Airport an A+ rating. Our workforce and work ethic are second to none. We are capable of handling any aircraft used today and our facilities are easily expandable.

Not only is Pittsburgh International Airport an economic generator in terms of jobs, but it serves as a major connection hub, linking Pittsburgh businesses, passengers and cargo with cities around the world. It is extremely well located in every sense and its physical structure is flexible, functional, attractive and expandable.

Mr. Chairman and Committee members, I ask your assistance to strongly convey to the Departments of Justice and Transportation our need for guarantees to preserve the economic future of a region rich in resources. Pittsburgh is poised for take-off. Thank you for the opportunity to present this information to you today.

Senator SPECTER. Thank you very much, Mr. Roddey. We turn now to Mayor Murphy, elected and starting serving in January 1994 and before that was for the better part of a decade and a half in the General Assembly. Graduated from John Cornell University, graduate degree with honors from Hunter College, and a very effective traveler to Washington, DC, in terms of funding from the Federal Government.

Right now Senator Santorum and I are laboring under that heavy transportation light rail tunnel cost which we're plugging at, but I see those stadiums are going up, and we're in there pitching for you all of the way, Mayor.

STATEMENT OF MAYOR TOM MURPHY

Mayor MURPHY. You're great partners with us. Thank you for having this forum. I won't read this, but simply to say—

Senator SPECTER. Thank you. It will be made a part of the record.

Mayor MURPHY. Thank you. You've been part of a team that has really begun to turn around this region. There is not a region in the country that suffered greater population losses than Pittsburgh through the 1970's and 1980's.

We now see the lowest unemployment in almost three decades in Western Pennsylvania, a new spirit of momentum, a new spirit of optimism. You've been part of that, as we see new construction happening all over the region.

And clearly the airport is a central part of that, not only for Allegheny County, but really for the tristate area. If you look at the employment figures from the airport, you will see that the major employer in Beaver County is the Allegheny County International Airport. One of the largest employers in Washington County, one of the largest employers in the panhandle of West Virginia is the Allegheny County Airport, as well as eastern Ohio.

And so that this is an important facility, and I won't repeat what County Executive Jim Roddey said, just you need to know that this is a bipartisan effort here. This is a county facility. I will be working closely with the county executive, Jim Roddey, to be sure that we are together in our support or disapproval of this merger.

But the four main issues for us clearly are the jobs, the responsibility for the continued payment of the bonds that built the airport, the continuation of this area as a hub, because it is so important to the growth of Pittsburgh and, finally, the ability to get the maintenance facility that this merger will require the airlines to have.

I think we'd like to look upon this as an opportunity, rather than as a threat, but it clearly is both. We want to know that we're going to be held harmless but would like to look at an opportunity for future expansion.

We are an area that has had a checkered history of mergers. We have watched well-respected companies disappear almost overnight, such as Koppers and Gulf Oil, through mergers that did not benefit this region at all.

On the other hand, we have watched two major banks, Mellon and PNC, grow remarkably in Western Pennsylvania because of mergers. We're watching Heinz prosper right now and grow because of mergers.

So, once again, we see this as both a threat and an opportunity, and with your help and all of us working together, I believe this can be made into an opportunity for the region. But we need to see some commitments to hold us harmless and see the opportunity to grow into the future.

We'll look forward to continuing to work with you on the dialog in this, and I believe that this region can benefit from this, if we hold firm or clearly know what we want to see happen and that the airlines respect our position and support it and work with us to make this succeed. Thank you.

[The prepared statement of Mayor Murphy follows:]

PREPARED STATEMENT OF MAYOR TOM MURPHY

Let me first begin by welcoming the distinguished members of the United States Senate Judiciary Subcommittee to the City of Pittsburgh, and for providing us this forum to express our region's views and concerns regarding the possibility of United Airlines' \$11.6 billion acquisition of US Airways. As you will come to recognize, we come before you today in a bipartisan, united approach to ensure that this merger is approved with the best interests of our region in mind.

Many of you may be familiar with Pittsburgh's recent history. The collapse of the steel industry left a hole in our economy that we are only now beginning to replace. In addition, over the course of the past 30 years, Pittsburgh has led the country in one major statistic—population loss. In fact, Pittsburgh suffered the largest popu-

lation loss in America. For too long now, Pittsburgh has lagged behind while the rest of the country has flourished during the longest economic boom in our country's history.

Today, however, I am delighted to report to you that Pittsburgh is re-emerging onto the global marketplace. We have retooled our economy, and built a new region on the strength of our world-renowned universities and our top-rated medical facilities. Pittsburgh has successfully made the transition from steel to technology. You may be aware that recently the Wall Street Journal rated Pittsburgh as one of the hottest market for new technology, that Carnegie Mellon University has been rated the "most wired" university in America and that we now employ more people locally in the field of technology than in any other industry. In addition, we are home to two of America's top ten financial institutions in PNC Bank and Mellon Bank, and the headquarters of such renowned companies as the H.J. Heinz Corporation and Alcoa. We now have more than \$4 billion worth of economic development underway throughout our City, from the construction of new world-class ballparks for our sports teams, to a tripled-in-size convention center to new housing and trails all along our riverfronts, and have managed to turn our old abandoned industrial sites into centers of technology, new housing communities and recreational opportunities for our citizens. Additionally, the courage and vision of the late Allegheny County Commissioner Tom Foerster in building Pittsburgh International Airport and acquiring thousands of surrounding acres for development positioned as well as we head into the future.

I cannot emphasize strongly enough to this distinguished committee the importance of Pittsburgh International Airport and the presence of US Airways as a major hub to the rebirth and continued revitalization of our local economy. Employing more than 11,000 persons from the tri-state area, Pittsburgh International Airport has quickly become one of our most strategic assets, as well as a strong economic engine for our continuing recovery.

As Senators Spector and Santorum can verify, Pittsburgh International Airport is one of our region's most important economic generators, one that will help us shape Pittsburgh's future as we move into the new millennium. Presently, US Airways has a major hub agreement at Pittsburgh. International Airport generating 515 flights per day both domestically and internationally, and it is imperative that Pittsburgh International Airport maintain its status as a major hub airport for United Airlines.

As you have already heard through the testimony of Allegheny County Chief Executive Jim Roddey, it is important that a number of matters that affect our region are contained in any approval of this deal. I would like to take this opportunity to reiterate those conditions, and to affirm that Chief Executive Roddey and I will work together to ensure that these conditions are contained in any agreement approved by the Departments of Justice and Transportation:

We are committed to revitalizing our economy and providing quality job opportunities for our residents. We must have a solid commitment from United Airlines that the merger with US Airways will maintain the more than 11,000 jobs contained in United's initial proposal.

Significant local tax dollars were utilized to finance the construction of the \$800-million Midfield Terminal Complex at Pittsburgh International Airport, US Airways is the principal guarantor on those bonds and pays the majority of the outstanding debt, which totals over \$700 million. We must receive written assurances that United Airlines will assume US Airways existing lease and guarantee payment of all future obligations of US Airways.

Pittsburgh must remain a significant US domestic hub. As I have said, the Airport is one of the most important economic engines in our region and must continue to serve as a hub to ensure that continues into the future. We must be certain that the existing level of service is maintained under United Airlines stewardship and is included in the approval of the merger.

For some time now, our region, has been working to locate a new US Airways maintenance facility for their aircraft here in Pittsburgh. It is clear that United will also have a need for such a facility given the estimated size of its fleet following the merger. We contend that Pittsburgh is the perfect location for this new facility. I urge you to ensure that United Airlines follow through with US Airways plans to construct this facility, and that they commit to doing so within the next two years.

The importance of Pittsburgh International Airport and its tremendous impact upon Southwestern Pennsylvania cannot be understated. Pittsburgh International Airport serves as our gateway to the world, is a major center of employment and one of the strongest engines driving our economic recovery. We view the possible merger of United Airlines and US Airways with cautious optimism, and look forward to working with this committee to ensure that this merger serves not only the interests of Southwestern Pennsylvania, but the entire country as well.

As you may have gathered, we are quite proud of our City and our region. We are excited by the opportunities our future holds, and hope that you too will share our enthusiasm. With your help and leadership, Pittsburgh will continue to rebound.

Once again, I want to thank you for coming to the City of Pittsburgh today to listen to our concerns about the potential acquisition of US Airways by United Airlines. We have come before you today in a bipartisan effort, and are united in our concerns and goals for this important regional asset.

Senator SPECTER. Thank you very much, Mayor Murphy. Senator Santorum and I will take 5-minute rounds, as well.

Mr. Roddey, you put your finger on a critical factor and perhaps the critical factor, and that is what would the future of US Airways be without a merger.

You talked about being in play. There is hardly any corporation today that is not in play subject to being taken over in one way or another.

Now, I've asked that question directly and haven't gotten an answer, but let's be blunt about it. No reason to beat around the bush. We're going to have to make some tough judgments. And the five of us have some very heavy responsibilities to a lot of people in this community, in this State, and in this Nation.

When you have people who stand to profit by \$12 million if the merger is completed, does that raise a question in your mind as to the objectivity of the answers on, say, a critical question like can US Airways make it without being acquired?

Mr. RODDEY. Well, Senator, I am not an expert on the airline industry. However, I do know that US Airways is the only remaining mature cost airline in the business. The other airlines that are of similar size, particularly Continental and TWA, have both been through bankruptcies, if not once, but two times. Therefore, they have a different cost structure. And I know that it's a very competitive business.

I also know, Senator, that competition in the airline industry is likely to be international and global, as all businesses are becoming global. US Airways has about 1.6 million international passengers today. That compares with about 30 million with British Airways and plus 25 million of either four or five of the major international carriers.

They need an opportunity to be international, and the merger does give them that opportunity.

I would think, and it would be my judgment, from all of the people that I have spoken to, that it would be likely that US Airways, at some point over the next 4 or 5 years would be sold or broken up.

Senator SPECTER. Attorney General Fisher, let me go to the part of the question Mr. Roddey didn't answer. You're in the business of evaluating demeanor all of the time. Does it trouble you that the CEO's are going to get \$12 million?

Two parts. Where is that going to come from? Is that going to come from furloughs? Is it going to come from reduction in service?

And the second part of the question, because the clock is ticking, does that impact on the objectivity of their responses?

Mr. FISHER. Well, I'm not going to prejudge the objectivity of their responses until we know more of the facts. But it raises a couple of issues.

First of all, that's why I think it's very important at a bare minimum, whether or not this matter ends up in the Federal courts or the State courts, and whether we bring it or the U.S. Department of the Justice brings it, that in the final analysis it will be a written document.

So that we don't have to rely just on the representations of officers, whether they be here now with the USAir, whether they be United, that all of the deal has to be resolved and be put down into a consent decree, and that's what we would drive towards.

Second, it also tells me that if there is enough money to pay those kinds of bonuses, and I'm not here to be critical of those bonuses, but it tells me that there is enough value in this airline that the dire picture that some have painted for the near future probably isn't there.

They wouldn't be committing to this. They wouldn't be committing to twice the current market value of the stock if USAir wasn't a very valuable airline which we think can stand on its own two feet. And if we had our druthers, six would be better than three.

Senator SPECTER. Stand on its own two feet even if it didn't have anybody helping to hold it up like United?

Mr. FISHER. I think it's a very strong airlines today in the current marketplace, and we think, based on what we know and what the market shows today, that it can continue to survive.

Senator SPECTER. Mayor Murphy, there is an interesting chart here.

Mayor MURPHY. Is this one of your famous charts, Senator? I remember a healthcare argument a few years ago where you had that magnificent chart, also.

Senator SPECTER. Thank you very much, but this may be a more famous chart.

Mayor MURPHY. OK.

Senator SPECTER. That chart just defeated the Clinton healthcare program. This chart could save 17,000 jobs.

Mayor MURPHY. That's right.

Senator SPECTER. This chart affects what is currently in play by US Airways and what United has and what the total would be. And as you can see, in Pittsburgh we'll end up with an 88-percent domination by a combination, although it's very high now. It's 86 percent.

In Scranton and Philadelphia and all over the State, the total is just very, very high. And my question is—and this is sort of a generalized question—but does that trouble you?

Mayor MURPHY. It does. Let me just say I think we all in Pittsburgh appreciate the convenience of living in a hub city and being able to have so many nonstop flights to so many locations in Pennsylvania and outside of the State.

On the other hand, on a regular basis, I hear, as I visit corporations about encouraging them to continue to invest in Pittsburgh and Western Pennsylvania, often I hear that one of the single biggest complaints they have at this point is not about State taxes but about the cost of flying out of Pittsburgh.

In fact, one corporation, and I will try to get this for you, documented the cost over a 6-month period of their employees flying out of Pittsburgh versus their employees driving to Cleveland and fly-

ing out of Cleveland and estimated they would have saved \$500,000 on the difference in flights, and again, as the attorney general said, the difference was Southwest Airlines.

So that is a dual-edged sword for us here, because we do enjoy a large number of flights, but the costs are significant for us that we pay and our business community pays as they try to do business around the world.

For smaller cities in Pennsylvania such as the Eries and the Lehighs and the Scrantons, the loss of flights, if that would happen, would be devastating to those cities, as they also try to come back from an economic turnaround that they're undergoing.

And talking to the Mayor of Erie or the Mayor of Scranton, more recently, representatives from the Mayor of Scranton, those flights, though they're few, are critical to the success of those cities. So that is an important issue, also, that I think we need to address.

Senator SPECTER. One final comment before yielding this to Senator Santorum. Attorney General Fisher talks about the cost of flying from Harrisburg to Pittsburgh, and we've talked at an earlier hearing about it's being cheaper to fly from Harrisburg to San Francisco with an intervening stop in Pittsburgh.

And the only reason people don't take the less expensive flight and end up in San Francisco is it is so much more attractive here in Pittsburgh.

Senator Santorum.

Senator SANTORUM. Thank you, Mr. Chairman. I would just like to ask the attorney general if you could just sort of review for us what your jurisdiction is here, what, in fact, can you do with respect to this merger? I mean, what role—because everyone is sort of looking, at least we do on the Washington level, look at the Federal Trade Commission, look at the Justice Department.

And I'd just like some understanding as to what your duties are and what your responsibility is and what actions you can take.

Mr. FISHER. Well, first of all, the U.S. Supreme Court said in 1990 that the State attorneys general do have jurisdiction standing to challenge mergers. Under our commonwealth attorneys' act, that responsibility is placed within our office.

The Justice Department and the FDC have recognized the role of the State AG's in this review. And it's actually very interesting, and I commented on it Friday.

A lot of people say this is subject to the approval of the U.S. Department of Justice. That is a misnomer of sorts. It is not subject to the approval. The U.S. Department of Justice, who will do this review, and the State attorneys general have the right to object, as do other parties.

So it's sort of a negative check-off of sorts, but that's why the review process is under way. Part of that review process, once these cases are reviewed, whether it be by us, whether it by Justice or the other, quite frequently end up in consent decrees.

And the importance of consent decrees is that all of the promises and all of the commitments that are made can be put down in black and white. And it gives us as the State—and we have the biggest role to play in this merger because Pennsylvania will be impacted the most.

It gives us the ability, if promises are not kept and if they're broken, to go to court to have them enforced.

Senator SANTORUM. Are you working with other attorneys general to—

Mr. FISHER. We do. There are 25 other States, and the District of Columbia, who are working with us. We have taken the lead on the investigation with the attorney general of New York. And we have broken up the division of responsibilities with the U.S. Department of Justice. They are looking at some of the international implications.

We have begun some of the investigation of some of the domestic implications. We have begun interviewing various smaller airlines as to their views, talking to local businesses.

So the investigations are working in a parallel track. Once we complete them, we'll share our results among the States and with the Justice Department, and we will make our respective decisions.

Senator SANTORUM. Let me ask you about some of those economic domestic concerns. And the Senator has his chart up here that shows the concentration of United after the merger and in our cities around Pennsylvania.

Certainly, from our hub cities, the concentration is already high, and in other cities, I guess particularly now the Lehigh Airport is probably the one that would be the most impacted competitively.

We're hearing stories already—I mean, Mayor Murphy has talked about business already, is—we've got some of the highest fares around. Is there any indication that this additional concentration will lead to even higher fares, or are we basically just saying we're going to be stuck with the same fare structure we have now?

One of the concerns, you know, that's been brought to me is fares, and I'm concerned about fares, but I don't see any relief now.

My question is this going to make it any worse? And I'm not too sure that additional concentration—I guess that's my question. Is this additional amount of concentration going to make it worse, or are we just basically stuck with the gal we brought to the dance?

Mr. FISHER. It's a particularly interesting question from Pennsylvania, because Pennsylvania fares, I think, are probably the highest in the region. There is virtually no competition in Pennsylvania today when you look at it.

But I think what we are—the purpose of our review will be to look at what it does to the market share. And will the market share as you have asked make it worse, or will it assure that it always stays the way it is?

I think what a lot of people are hoping for is at least the opportunity for the entrance of low fare airlines in some places that touch Pennsylvania.

Senator SANTORUM. How do you accomplish that? Do you accomplish that in the construct of this consent decree or whatever you are—

Mr. FISHER. I think it's possible. I think that part of the problem here in Pittsburgh—and, you know, Jim and I have spoken—there are gates in Pittsburgh. But in many of the cities where airlines might want to fly, there is no ability for them to land.

It's very difficult today to get additional landing rights in Philadelphia because of the absence of gates. It's difficult to get additional landing rights at LaGuardia because of the absence of gates.

So there are problems that go beyond Pittsburgh, that go beyond the State that all factor into this. But these are many of the issues which we hope to collectively take into consideration if, in fact, we are able to reach an agreement as to what is good to solve all of the various problems we find here.

Senator SANTORUM. My time is up, so I'll turn it over to you.

Senator SPECTER. Take some more time.

Senator SANTORUM. Do either of you have a response to that question as far as how you see the economics playing out? Obviously, for Pittsburgh, this additional concentration, is that of concern to you, that we may not be able to attract, since we have the gauge, we may not be able to attract another airline to come in and service this community?

Mr. RODDEY. Yes, it's always a concern, Senator. However, I think now is the time to address that. And as we review the documents and review this acquisition, if we're going to get some relief from the situation, I think now is the time to ask.

It's clear that the premium price being paid by United for US Airways is so they can get entry into the very lucrative eastern market.

If you look at East Coast flights, north and south up and down the East Coast, today United Airlines has one percent of that flight. And it's the most lucrative of anywhere in the country. US Airways has 37 percent.

So they're paying a premium to buy their way into that, rather than try to go in and compete. It's very difficult to start competing when you don't have slots, you don't have gates. We did have the gates here, and I would hope that we could structure something in this merger that would allow us to have some competitive airlines in here.

But the question of fares, I don't think the fares—you know, we've asked the question, and if—and I know both of you are aware of the testimony in Washington. Every place there is a super hub, we hear the same thing, about how high the fares are.

And the airlines have made a commitment not to raise the fare for 2 years, except for cost of living or fuel costs. Well, I don't think that's much of a commitment at all. If you recall, every time it's ever been raised, it's because of fuel prices or cost of living. So I think that the fares right now are going to remain high.

Senator SPECTER. Thank you very much, Senator Santorum, and thank you Attorney General Fisher, Mayor Murphy, and Chief Executive Roddey. Thank you.

SENATOR SPECTER. We'll now move to the next panel, Miss Shelley Longmuir, Mr. Larry Nagin.

I want to welcome Ms. Shelley Longmuir, who is the senior vice president of International Regulatory and Governmental Affairs for United Airlines, a magna cum laude graduate with a double bachelor's degree in English Shakespeare literature from Brown, J.D. from New York University School of Law, and she held senior positions in the Bush administration at the U.S. Department of Transportation.

Thank you for joining us, Ms. Longmuir, and we look forward to your testimony.

PANEL CONSISTING OF SHELLEY LONGMUIR, SENIOR VICE PRESIDENT OF INTERNATIONAL REGULATORY AND GOVERNMENTAL AFFAIRS, UNITED AIRLINES; AND LARRY NAGIN, EXECUTIVE VICE PRESIDENT, CORPORATE AFFAIRS AND GENERAL COUNSEL, US AIRWAYS

STATEMENT OF SHELLEY LONGMUIR

Ms. LONGMUIR. Thank you, Senator Specter, Senator Santorum. On behalf of United Airlines, more than 100,000 employees worldwide, I appreciate the opportunity to be here today to discuss our merger with US Airways.

The transaction will deliver new economic growth and travel opportunities to consumers here in Pittsburgh and throughout Pennsylvania.

Senators, I want to thank both of you for the attention that you have paid to our merger with US Airways. As you know, our chairman and CEO, Jim Goodwin, testified before your subcommittee last month in Washington. He also met with both of you in recent weeks to discuss the transaction.

Members of your staff, Senator Specter, have also spent time with our senior financial team to review details of this merger. Mr. Goodwin has also met with Governor Ridge and Allegheny County Chief Executive Jim Roddey.

Our general counsel has also met, and we are in an ongoing dialog with Attorney General Fisher.

Shortly after we announced the merger in May, those discussions began and will continue throughout our review.

United started flying from Pittsburgh 44 years ago, on January 22, 1956. Back then we flew four times a day to New York and had four daily westbound flights to Chicago and then on to Denver, Salt Lake City, Los Angeles, San Francisco, and some other western cities.

Today United and United Express have a total of 14 daily departures from Pittsburgh. We fly nonstop to Chicago and Washington Dulles with connections to destinations around the world.

United has 94 employees in Pittsburgh today, a number that will dramatically increase after the completion of our merger with US Airways.

When United began service from Pittsburgh in 1956, we ran an ad introducing ourselves to the community. We said then, "We recognize the privilege of serving the Greater Pittsburgh Area, that it carries also with it a responsibility, not only of providing good air service, but of being a good corporate citizen to the community. We intend to demonstrate our appreciation by fulfilling both of these responsibilities to the best of our ability."

Senators, what we said then is just as true today as it was 44 years ago. United will provide the service that Pittsburgh customers deserve, and we will be good corporate citizens and a valuable asset to Pittsburgh and the airport of which this community is so justifiably proud.

The United-US Airways merger will have a very positive impact on Pittsburgh. Pittsburgh is already a major hub for US Airways. When our merger is complete, it will become an even more significant hub for United Airlines.

In all, United plans to offer nonstop or one-stop service from Pittsburgh to 254 domestic and international destinations. That's 78 more than US Airways currently serves and 143 more than are available today on United.

We plan to offer four additional daily nonstop flights from Pittsburgh to three U.S. cities. That includes the only nonstop service to San Jose, CA, one of the high tech centers of the world; the only nonstop to Portland, OR; and two additional daily nonstops to Denver, a total of five a day to the Colorado capitol.

United also plans to offer new one-stop service to several Asia, Pacific, and Latin American destinations. We'll also add competition with our new planned service through Miami, to Rio, Caracas, Buenos Aires, and two other cities in South America.

By connecting Pittsburgh to a larger national and international network, the United-US Airways combination will mean an exciting expansion of service to and from the region.

In short, Pittsburgh will be a winner. As you know, as part of the transaction, United has pledged there will be no furloughs of any USAir employees for 2 years following the closing of the merger. Beyond this promise, which is part of our merger agreement with US Airways, we have made a firm commitment with no time limit attached not to furlough any US Airways employee.

We are also confident that our business will grow and create more opportunities and more jobs in the future in this region. We recognize that an important issue for Pittsburgh has to do with the construction of a new maintenance facility here.

Our chairman, Jim Goodwin, has pledged that we will make a decision on that issue before the end of the month. We will, of course, advise you both and the community as soon as we determine what those plans will be.

Senators, thank you for inviting me here today and for allowing me to discuss our transaction.

Senator SPECTER. Thank you very much, Ms. Longmuir. I will now turn to Mr. Larry Nagin, executive vice president of Corporate Affairs and general counsel of US Airways since February 1996; bachelor degree in international relations from the University of Southern California; and a J.D. degree from the University of California, Hastings School College of Law.

Thank you for joining us, Mr. Nagin, and we look forward to your testimony.

STATEMENT OF LARRY NAGIN

Mr. NAGIN. Thank you, Senator Specter and Senator Santorum. Good afternoon. We have had the privilege of appearing before you, Senator Specter. We have had the privilege of meeting with Senator Santorum on several occasions.

I think you know the history of our company well, representing your Commonwealth here, as well as with respect to your duties in the Senate.

I don't want to retread previous ground, but would like to respond to a few of the questions that have been raised not only by both of you Senators, but also by the preceding panel. And perhaps that will allow some further discussion on issues that are clearly important to both of you.

We take your concerns very seriously. We don't give them short shrift. We're respectful of them. We think they're very legitimate questions that are deserving of being asked, and you're deserving of appropriate and responsive answers to test your comfort level and for you to make your independent judgments.

With that in mind, Senator Santorum, you mentioned you had some concern with respect to the size of the Pittsburgh hub. Just to put it in perspective, at Pittsburgh, US Airways and US Airways Express have on a daily basis in the month of July 605 departures.

Compare that with the Continental Airlines in Cleveland that has 435 departures; Continental at Newark, 585 departures; Continental at Houston, 607 departures, just two more than we have here in Pittsburgh; and United in San Francisco, 534 departures.

So I think just to name a few of the hubs in the country, Pittsburgh, for the size of its community, is second by only shy of two flights. It has a very significant hub here which we're very proud of.

Second, Senator Specter, you made mention of a report of Saturday's Washington Post with respect to bonuses, as you characterize them. That article made reference to a public filing that US Airways made on Thursday afternoon before the Securities and Exchange Commission, which is the proxy to be reviewed by the SEC before it goes to shareholders to vote yea or nay on the merger proposal of United Airlines.

And, indeed, that proxy was absolutely consistent with all of the previous proxies the previous 4 years with respect to the very important change in control agreements that the senior executives have at US Airways.

All of them had been previously disclosed, number one and in some cases voted upon by shareholders. And, more importantly, it is an absolutely standard tool used in corporate America to attract and retain the best management possible.

Without casting any aspersions on anywhere and anyone, I think you're all very familiar with the situation that faced USAir then in 1996, when Mr. Wolf joined the company. I think the press heralded his coming to the company as a savior, if you will, with respect to his track record in improving the lot of airlines throughout the country.

He is a man with an impeccable record of 30 years of management in the airline business.

As a result, USAir then was transformed into US Airways, and we reequipped the fleet, changed our image.

And you will both remember all too well the very sad days we had here in Pittsburgh in previous years. It was a very difficult time with the Pittsburgh community being tremendously supportive of the company, and the company has paid that support back by growth and opportunities here in Pittsburgh that we're very proud of.

By the way, Senator, with respect to those changes in control agreements, those were by an independent board of directors, an independent human resources committee, and indeed this entire transaction was approved by our independent board of directors and will go to our shareholders for their independent vote, consistent with what they believe to be in their best interests.

And, again, these changes in the control agreements are consistent with insuring fiduciary duties are met by executives throughout the United States.

Finally, with respect to the future, the prior panel talked about the future of Pittsburgh. Both of you Senators have voiced great concern with respect to the new growth or the new outlook.

This transaction brings it to Pittsburgh by bringing United to Pittsburgh.

I see my time is up. I'll be glad to respond to the questions on pricing and Q&A if you deem it appropriate, Senator.

Senator SPECTER. Let me take you up on the point as to the compensation here. To say that it's consistent with all of the practices on filing with the Securities and Exchange Commission, I understand that.

When you talk about to attract and retain, we're really at a termination point. It's not a matter of attracting Mr. Wolf. He's there. It's not a matter of retaining him. In fact, it's counter retaining him. It's losing him.

But in addition to the \$11.7 million in severance, their additional annual retirement benefits of \$87,000, there is an additional stock option, there is a commitment to pay all of the taxes from the stock option.

And when you have a company where there is a suggestion as to whether, as a mature company, it can survive alone, and you have an issue as to so many commitments which United is making—and I appreciate the fact, I understand that this is commonplace. I don't think that justifies it, however.

On a recent bank merger in Philadelphia, the CEO walked away with more than \$40 million, but the question is why? What is the justification for it?

Mr. NAGIN. Well, there are two pieces to it. The justification, that is, I think, for the shareholders to make that determination and certainly you, Senator, in your position that you hold.

But in terms of this transaction, anything that Mr. Wolf or any other executive, if you will, will realize from this transaction was the going in bid to bring and attract them to the company. And, indeed, there are two pieces to it, two components, if you will.

One is the change in control component that deals with being removed or experiencing a change of control. Mr. Goodwin at United, I'm sure—

Senator SPECTER. You mean Mr. Wolf is losing his job?

Mr. NAGIN. Well, I'm not suggesting that anyone should be concerned that Mr. Wolf is losing his job. Mr. Wolf—

Senator SPECTER. He can take care of himself.

Mr. NAGIN. But if you weigh that against what is occurring with everything else here, in terms of its fiduciary duties, sir and Senator Santorum, every stockholder I think, is getting twice the current market value when the deal was announced.

Senator SPECTER. I was just wondering, all of the things that are happening with Senator Santorum, who makes \$141,000 a year.

Mr. NAGIN. I never said things were fair, Senator, and I would never consider them to be fair. I think public service has its own benefits beyond monetary. Thank God there are people willing to do it.

Senator SPECTER. You say it's not fair?

Mr. NAGIN. I wouldn't think it's fair, no. I think school teachers, librarians—

Senator SPECTER. Never mind what Senator Santorum is earning. I'm more concerned about what Mr. Wolf is getting. Is that fair?

Mr. NAGIN. Is it fair? It's what is called for under the contract. Is it fair compared to the man on the street who is homeless? I would say absolutely not. Is it fair to a school teacher who should earn more? Probably not. Is it fair to a librarian? Probably not. Is it fair to other public servants? Probably not.

But that is the way that it works. And the shareholders to whom Mr. Wolf owes a fiduciary duty, and that is the standard by which he is judged, if you will, are all fairing extremely well, to the point that our board of directors voted unanimously to approve this transaction, and we're hopeful that our shareholders will vote.

But they are the ultimate arbiters. Just as the ballot box is the test for both of you, our shareholders are our test, as well as the courts and the Department of Justice.

Senator SPECTER. I appreciate your candor with that long recitation to all of the people to whom it was not fair. And the shareholders are getting a big increase in the value of their stock, so they're happy because they're sharing in the unfairness, perhaps.

But the question that is on my mind as a member of the Antitrust Subcommittee, a member of the Judiciary Committee of the U. S. Senate, is who is going to pay for it? Is it going to be paid for by the consumers somehow, who will have a reduction of service or increase in price?

Will it be paid for by some of these employees who will not be furloughed but asked to move so far away they can't possibly take the job?

Somebody is going to have to pay for it. Wouldn't you agree with that?

Mr. NAGIN. I'd agree with the macro statement somebody is going to pay for it, but that somebody is United Airlines. Sir, the benefit to United Airlines of US Airways joining their network is significant, or else they would not agree to do this.

The detriment to US Airways for not being able to join to a larger network is also significant. Because as was pointed out, we're the last of a rare breed of pre D regulation carriers.

It is a complex issue, but United sees the benefit to offer this money. United is promising a job not for 2 years, but throughout for the employees of US Airways. And I think that's a big benefit that comes out of this.

They're also pledging support to the communities. You know, I polled, if you will allow me, a list of the communities that US Airways serves of this Commonwealth. It's quite dramatic.

And there are no barriers to entry to any of these communities, Allentown; Bethlehem, where you have a hearing on the 24th, sir; Wilkes-Barre; Scranton; Erie; Harrisburg; Philadelphia; Pittsburgh, of course; Altoona; Bradford; Warren; DuBois; Erie; Franklin; Williamsport; Johnstown; Latrobe; Lancaster; Harrisburg; Reading; State College.

No other airline serves those communities like we do. And after this merger is approved, United Airlines will be there bringing the world to these communities. And they pledge not to decrease service. They've pledged not to reduce employment, and they have pledged price freeze.

Senator SPECTER. Thank you very much, Mr. Nagin. I have decided not to ask you about your additional compensation. And if I had to decide to ask you about your additional compensation, I would have changed my mind after that very excellent answer. Whatever it is, you're worth it.

Mr. NAGIN. Thank you, sir.

Senator SPECTER. Ms. Longmuir, just a couple of questions. I'll ask you to do this in writing, because I don't want to impinge anymore on the time here and yield to Senator Santorum.

The structured fares, according to my information, constitute only 15 percent of fares of United, so that they're making a commitment for 2 years on structured fares. It doesn't seem to be very significant.

If you'd care to respond now, you may. Senator Santorum has just given me the green light.

Senator SANTORUM. I had that question, too, so you can use my time for the answer.

Senator SPECTER. Answer that question on his time, and I'll go on to the next question.

Will you give us an answer in writing on the issue of transfers and relationship to your commitment not to have furloughs?

Ms. LONGMUIR. An answer in the sense that we will commit to no furloughs—

Senator SPECTER. Well, what are the risks of those who have a commitment not to be furloughed to be transferred someplace which makes their job meaningless?

Ms. LONGMUIR. What is the risk, sir? Our clear expectation is that we will not have to transfer anyone, because from a purely financial perspective, being one of those employees who has just been transferred for a happy reason from Washington to Chicago, it's tremendously expensive to the company, lost time, relocation, et cetera.

Our whole underlying theme and benefit of this merger to United Airlines employee owners and stockholders is because it's based on growth.

We are hoping to take the framework of the system that US Airways has built and to grow that dramatically.

So based on a growth premise, we're hoping not to have to transfer anyone, because we have right now in this incredibly booming economy a shortage of people at every level within our company.

Senator SPECTER. Listen, I know United has to run a business. When you tell me you're hoping not to transfer anybody, it doesn't have a whole lot of meaning to me.

To the extent you can be any more positive about it, and I know that the 17,000 Pennsylvanians will appreciate it.

Final question I have for you is the business in writing. You and I talked about it in Philadelphia. Your CEO and I talked about it in Washington, as to the structured fare, as to the furloughs, as to the commitments to the international airport here. You heard what Mr. Roddey has to say, he wants it in writing.

Ultimately, would United be prepared to back up what representations you make as a written commitment?

Ms. LONGMUIR. Senator, our goal, truly, in becoming a more important corporate citizen within Pennsylvania is not to talk past either you or Senator Santorum, but to have a very positive relationship.

We want to extend to you the reassurances that you are properly seeking on behalf of your constituents. So if the Department of Justice ultimately does not seek the fare commitment in writing, as we have discussed previously, as you have discussed with our CEO, we want to reach a way to accommodate and to address those concerns. And I know Jim Goodwin desires that very much.

Senator SPECTER. Well, I take that last answer to be you talked right past me, but I'll try again in Allentown. Senator Santorum?

Senator SANTORUM. Maybe I can get her to be more specific on that question. So what you're suggesting, if you're not required to put anything in writing by the Justice Department, you'll work to satisfy us in writing in some fashion, if that's necessary?

Ms. LONGMUIR. Well, I'd like to take a look, if I could, at the predicate behind writing to guarantee fares. It is, frankly, contrary to what we understand as a result of deregulation, that fares are not otherwise going to be mandated. We have tried, and perhaps this was a tactical mistake on our part.

We attempted in offering the commitment to have a fare freeze for 2 years, except for an increase in CPI and fuel, to offer on good faith on behalf of the company, reassurance to the communities that we were coming in to serve, really pretty much as an unknown, that we recognize their concerns and anxieties and need for quality air service and, therefore, put that freeze in place.

We plan on being in these communities for a very long time, so we certainly don't want to—

Senator SANTORUM. How about with respect to the other issues, with respect to the facilities here, with respect to the issue—the employee issues? If those are not required in writing, would you be willing to give us something in writing about the facility here, the maintenance facility?

You talked about the reservations jobs. Again, is there anything in writing that we will be able to receive?

For example, I think we heard testimony from Jim Roddey today saying you would give us an answer on the maintenance facility by the end of the month.

Ms. LONGMUIR. Correct.

Senator SANTORUM. I assume that's something that we can have that we can count on that can be, in writing or have some sort of legal force that we can say, OK, well, they promised? Will we have something of that nature, or will it just be, well, hey, trust us, we're going to do this?

Ms. LONGMUIR. I assure you on behalf of Jim Goodwin that you will have a decision that will be a bankable decision.

Senator SANTORUM. OK; can you answer Senator Specter's question on my time now?

Ms. LONGMUIR. Certainly; Senator Specter is absolutely correct that the fare freeze goes to 15 percent of the fares in place. But, however, that drives 40 percent of the revenue that is generated from the total revenue fare structure.

The reason why we chose the point-to-point fare structure as a means to essentially drive and freeze fares was because we thought it was the easiest way for someone to monitor us, and it was the only, if you will, common thread that we could find in our fare structure.

We have 750,000 fares in the marketplace today. We change on average 57,000 of those today. When there is a fare sell, that number goes up dramatically.

But we were trying to find the largest basket, if you will, of fares to be driven and frozen, which is, to a great degree, the back board against which all other fares and fare sales emanate from.

Senator SANTORUM. And so you have no intention of expanding that number, or is this something that's part of a negotiation, that you can have a broader number of fares that could be frozen over time? Or just to give—well, is there any thought of expanding that beyond the 15 percent that you suggested?

Ms. LONGMUIR. No, there isn't, Senator Santorum, because we think that's fairly dramatic in itself, and as broad as we and our financial people could frankly come up with.

Senator SANTORUM. A couple other questions about here in Pittsburgh. We talked about the reservations folks on Friday. We made our case on the issue of the maintenance facility. I know there are some people out in the audience that are dispatchers that are located here in Pittsburgh, and they have some concerns about what the futures of their jobs—these are the folks who, I guess, are the dispatchers systemwide for US Airways.

Has that issue been brought to your attention, and can you tell us if you have any announcements on that, or can you give us a timeframe of when we would know what the impact would be on those dispatching jobs here in Pittsburgh?

Ms. LONGMUIR. I certainly appreciate your concern, Senator Santorum. This is the first time I have heard of this issue.

Senator SANTORUM. I'm glad I brought it up then.

Ms. LONGMUIR. But I know it is within a whole category of employee concerns and job groups that we are trying to address in a very methodical basis. And again I would underline that our desire and what is in our company and our employee owners' best interest is to lower the cost of operation through unnecessary transfers as much as possible.

So we would hope not to have to dislocate or relocate individuals.

Senator SANTORUM. I understand that. Can you today give me some sort of timeframe of when you—these are issues that I would like to have resolved for me to feel comfortable that we're moving forward in a way that you suggested, which is that you want to be a partner here in Pennsylvania, and you want to be a good corporate citizen team player, as I think you—the corporate citizen as-

pect that you talked about 44 years ago in your statement when you came to Pittsburgh.

We have folks here that would like to know what their future holds, and if we could know that, obviously, as much in advance as possible, so you can put that on your list of things we'd like to have resolved, so we can have answers to make decisions by.

Ms. LONGMUIR. I commit to you certainly to make that a priority, and we'll get back to you and to Senator Specter very promptly.

Senator SANTORUM. I appreciate that. Another question, this has to do with the maintenance facility. My understanding is the way the maintenance contracts were structured for the US Airways, and maybe, Larry, you can pitch in on this if you're aware, is that the new Airbuses were going to come in, but the engines were going to be privately contracted out. United doesn't do it that way. You service your own engines.

My question to United would be assuming that all things go well here and that we build a new maintenance facility here in Pittsburgh, a United maintenance facility to service those aircraft, do you intend to continue to have those engines contracted out, or would those engines be serviced inhouse?

Ms. LONGMUIR. I think that is something that is internally being reviewed, Senator, which we would be able to give both you and Senator Specter definitions before the end of the month.

Senator SANTORUM. OK; that was my question. I just wanted to make sure that that component of the discussion was also included in our answer by the end of the month.

Senator SPECTER. Thank you very much, Senator Santorum. Thank you Ms. Longmuir and Mr. Nagin. Appreciate your being with us.

Senator SPECTER. Coming now to panel three. Mr. Glenn Mahone, Kent George, Dr. Lowell Taylor, Mr. Tony Fratto.

Our first witness here is Mr. Glenn Mahone, chairman of the Allegheny County Airport Authority, bachelor's degree from Penn State and J.D. from Duquesne. Also holds an LLM from Yale University. He served as bond counsel underwriter and insurance counsel across the broad range of State and municipal authority transactions. Thank you for joining us. Do you pronounce that Mahone?

Mr. MAHONE. I'll respond to both, Senator, but it's Mahone.

Senator SPECTER. Mahone. The floor is yours, Mr. Mahone.

PANEL CONSISTING OF GLENN MAHONE, CHAIRMAN OF THE ALLEGHENY COUNTY AIRPORT AUTHORITY, ACCOMPANIED BY KENT GEORGE, EXECUTIVE DIRECTOR, ALLEGHENY COUNTY AIRPORT AUTHORITY; LOWELL TAYLOR, PROFESSOR OF ECONOMICS, H. JOHN HEINZ III SCHOOL OF PUBLIC POLICY AND MANAGEMENT, CARNEGIE-MELLON UNIVERSITY; AND TONY FRATTO, PUBLIC AFFAIRS ADVOCATE, PITTSBURGH TECHNOLOGY COUNCIL

STATEMENT OF GLENN MAHONE

Mr. MAHONE. Thank you, sir, and thank you Senator Santorum for convening this important forum. With me today is Kent George, the executive director of the Authority.

We would first like to thank you and the committee for the opportunity to present our views on the pending purchase of US Airways by United Airlines.

Second, Mr. Jim Roddey, county executive of Allegheny County, testified earlier on this region's position on the acquisition of US Airways by United Airlines.

The airport authority completely supports Mr. Roddey's testimony and encourages your committee's inclusion of this region's desires in your report.

The Allegheny County Airport Authority operates the Pittsburgh International Airport, which provides the businesses and residents of Southwestern Pennsylvania, Eastern Ohio, and Northern West Virginia their access to the world.

The airport authority is in the enviable position of operating one of the world's most modern facilities that is capable of immediate expansion within its 10,000 acres.

Pittsburgh International is this country's 25th largest airport in passenger traffic and was recently ranked number one in the United States and third in the world by readers of Conde Nest Traveler Magazine.

In short, Pittsburgh International Airport offers the world's airlines an unrestrained, unrestricted, efficient and effective facility to meet their current and future needs. The airport authority stands ready to meet not only US Airways and United's needs, but also the needs of any other carrier desiring access to this region.

Again, thank you for this opportunity. Both Mr. George and I will be ready to answer any questions you may have.

Senator SPECTER. Thank you very much, Mr. Mahone.

We now turn to Mr. Kent George, executive director of the Allegheny County Airport Authority, undergraduate degree in aviation management from Emory Riddle Aeronautical University, and a master's degree in business administration from St. Joe's.

Thank you for joining us, Mr. George, and we look forward to your testimony.

Mr. GEORGE. Thank you, Senators, and in the interest of time, we've done a joint testimony for the airport authority, and you can move on, and we'll answer any questions that we'll be able to—no need to repeat everything we've gone through before.

Senator SPECTER. You are in jeopardy, Mr. George, of becoming the most popular man at this hearing.

Mr. GEORGE. I've done this a few times before, Senator, and I know how much you enjoy sitting there.

Senator SANTORUM. No, I really do enjoy it.

Dr. Lowell Taylor is professor of economics at H. John Heinz, III, School of Public Policy and Management at Carnegie-Mellon University, on the faculty there since 1990; a master's degree in economics and statistics and a Ph.D. in economics from the University of Michigan; Senior Economist of the Council of Economic Advisors in the Executive Office of the President earlier this year.

Thank you for joining us, Dr. Taylor, and we look forward to your dispositive testimony. With that resume credential—

STATEMENT OF LOWELL TAYLOR

Mr. TAYLOR. It's my pleasure, Chairman Specter and Senator Santorum.

Senator SPECTER. How are you so young, by the way, Dr. Taylor?

Mr. TAYLOR. How am I so young? I wish my kids were here to hear you say that. They would sadly disagree with your assessment.

I have some issues I'd like to raise about the antitrust and competition, questions about the merger of US Airways and United.

Let me start by saying that the proposed merger does appear to make some economic sense. We have US Airways in the east that has a large network and Pittsburgh, of course, anchoring a hub.

And, in addition, there is this large east-west United system of routes and the international system. And Pittsburgh travelers would enjoy this link to one-stop service, as has been mentioned many times, to destinations in Asia and Latin America.

Although there may be considerable value to Pittsburgh in being a key hub in such a nationally and internationally prominent airline, there are certain aspects of the proposed merger that should make Pittsburgh residents nervous.

And here I'm actually just reiterating the concerns that were mentioned by Hon. Mike Fisher and questions that you raised yourself, Senator Specter. The issue is with pricing.

Let me pass over some of my academic discourse and head straight to the table, which I think is most relevant. I hope you have the testimony there, because I'm going to be referring to Table 1.

Do you have extra copies that you could hand to the Senators that they could take a quick look at?

Senator SPECTER. Dr. Taylor, why don't you describe the table and what it's worth.

Mr. TAYLOR. I'll describe what I have, and then perhaps we can get a table, too, as we go. My concern is about the average fares that we pay in and out of Pittsburgh. So what I did is to pull together data from the U.S. Department of Transportation for a list of airports that have the following features.

They are all airports that have an average passenger distance that is very close to Pittsburgh's. So, for example, the average passenger coming to or from Pittsburgh happens to travel 882 miles. I picked airports that have that same characteristic, that is to say, they have an average distance close to that 880 figure. Actually, it's plus or minus 30 miles.

And what I've done here is to consider only top routes. These are only for fares that are for the top thousand routes, between—typically between major cities.

So for Pittsburgh, for example, these are routes as it turns out between Pittsburgh and Washington; Philadelphia; New York; Atlanta, Georgia; Tampa, and so forth.

And what you notice is that the anecdotal evidence that people have brought before you is correct, that people who fly in and out of Pittsburgh do pay considerably more than people flying out of other airports.

Let me emphasize, this is not because the flights out of Pittsburgh are for shorter East Coast hops. These are all comparable

apples to apples. And it's not because they're serving especially smaller markets, because these are only for the top 1,000 flights, that is, only for the largest routes.

Pittsburgh, you will notice, we pay about 50 bucks a fare more each way. You're wondering where \$12 million might come from. This is for only one quarter. There is a million passengers here, each paying about \$50 more than they'd pay to come out of other airports. That's a lot of money.

If you split the page and look at table 2, you can see this issue broken down by eastern markets, eastern destinations, Midwest, Florida destinations, west and southwest.

Let me just, in the interests of time, draw your attention only to the panel which is the eastern destinations, and then I'll compare that with the bottom panel, which is to the west and southwest.

In the east, US Airways has a huge market share. If you want to fly to Washington or Philadelphia, you have virtually no choice but to fly on US Airways. And you'll notice that the average fares on those particular routes are far higher than the median fares for comparable markets.

If you're flying to the west in contrast, US Airways does have a large market share, but not merely as dominant. And interestingly enough, the air fares are much the same out of Pittsburgh as they are for other similar comparable markets.

The answer as to why this is, I think, is given by the chart that you have behind you, Senator Specter, and it's just simply the issue of market shares. This is what we would typically expect of firms that develop a large amount of market powers. They can use that to charge higher prices.

I think that the antitrust division of the Justice Department will be, no doubt, carefully examining the effects of the proposed merger on the competitiveness on a number of routes, including the ones I'm sure that I have outlined for you here.

I hope when they do that, they try to focus on Pittsburgh specifically where we really do have a serious issue already with large market share.

The chairman and CEO of United Airlines has proposed a remedy in Reagan National Airport specifically for concerns about the market share that this merger would create there. And one thing that perhaps would be worth discussion would be whether or not, in the process of forming this merger, similar issues might be taken up at Pittsburgh.

That concludes my testimony. Thank you again for the opportunity to speak.

Senator SPECTER. Thank you very much, Mr. Taylor. We'll come back to you for questions in just a moment or two.

We turn now to Mr. Tony Fratto, the Public Affairs Advocate for the Pittsburgh Technology Council. From 1991 to 1995, he served as press secretary and legislative assistant to Congressman Rick Santorum, now Senator.

He went on to serve as communications director for Senator Santorum through 1997 to 1998. Graduate of the University of Pittsburgh, a native of McKees Rocks, PA.

I thank you for joining us, Mr. Fratto, and we look forward to your testimony.

STATEMENT OF TONY FRATTO

Mr. FRATTO. Thank you, Senator Specter, for having me here today and Senator Santorum. I appreciate the opportunity to address this issue and also thank you for your sincere and real dedicated, persistent efforts on economics development in this region. It's greatly appreciated.

May I ask that my testimony be entered into the record.

Senator SPECTER. It will be, with no objection.

Mr. FRATTO. I'll withdraw my comments, but we thank you again, appreciate this opportunity. You may know that I also—you mentioned the Pittsburgh Technology Council. I also directly represent the Greater Pittsburgh Chamber of Commerce, the Pittsburgh Regional Alliance, and the Allegheny County Conference on Community Development, and a number of other pro business and economic development groups in Southwestern Pennsylvania, which puts me in a unique position to represent the views of that community at this hearing.

The health of Pittsburgh International Airport is really vital to the business and economic development interests of our region. Clearly, the airport provides thousands of jobs for our community and provides support for countless families.

And also for, really, millions of people, it provides often at least the first look to our wonderful region, sometimes the only look into our region. So the health of that asset is extremely important.

None of the groups I represent at this time have staked out a formal position on the merger. They're in the information gathering stage, trying to educate their membership, as many folks in this room are doing the same. However, they expect to take formal positions shortly.

Some consensus on some key points has emerged, though, and looking at the merger, first among them is the prospect of increasing the number of flights to this region.

One-stop flights and direct flights both domestically and internationally is vitally important to this region. Both you, Senator Specter and Senator Santorum, and a number of others were heavily involved in our region's effort to reinstate the London to Pittsburgh route to Pittsburgh.

You know the effort that went into that effort to gain just one flight. So I know you recognize the importance of adding these flights.

In particular, especially to members of the technology community in Pittsburgh, nonstop flights to Portland, OR, and San Jose are very important, and also one-stop flights to Asia are also very important.

The second area of consensus that's emerged is the maintenance and expansion of hub status for our airport. Most of the jobs related with Pittsburgh are—available in Pittsburgh are related to our status as a hub airport. You want to put your people in airports that are hubs.

So we strongly support that.

Each of our groups strongly encourages United Airlines to follow through with US Airways' commitment to build a maintenance facility in Pittsburgh. We think this is absolutely vital.

As someone who grew up in western Allegheny County, I know the impact of those maintenance jobs in our community and the importance to our region that that has. We know that they're studying their options right now. We hope that United follows through and is able to give us that commitment.

Finally, I know this was mentioned earlier, and again by Dr. Taylor, within the Pittsburgh business community, no issue is certain to raise the ire, when you talk to business flyers, than the cost of flying out of Pittsburgh International Airport. It is absolutely one of the highest areas of concern.

I hope that as we look at the merger, that we can also look at opportunities to provide more reasonable pricing for some of these flights.

Now, as I note in my testimony, this puts me as an advocate for business, this puts me in a curious position of objecting to a private company's right to charge what the market will bear. That being said, airports are unique business entities, and we hope that some action can be taken in that area.

I'll stop my testimony there, and I'm prepared to answer any questions you might have.

[The prepared statement of Mr. Fratto follows:]

PREPARED STATEMENT OF TONY FRATTO

Good Afternoon Chairman Specter and Senator Santorum.

My name is Tony Fratto and I am the Vice-President of Government Affairs for the Pittsburgh Regional Alliance.

Thank you for giving me this opportunity today to address concerns related to the proposed merger of US Airways and United Airlines.

I also would like to thank you both for your sincere and persistent attention to economic development issues affecting our region. Whether there is a crisis or an opportunity, we have never had to knock on your doors, because your doors have always been open to us.

Also, the leadership of Allegheny County Chief Executive Jim Roddey has been instrumental in dealing with this issue. We could not be more pleased with his energetic and thoughtful representation of our interests and we stand enthusiastically with him.

As you know, I represent the Pittsburgh Regional Alliance—the prime business attraction and marketing group in the Pittsburgh region; the Greater Pittsburgh Chamber of Commerce—our chief business advocacy group; the Pittsburgh Technology Council—the largest regional technology trade group in the nation; and the Allegheny Conference on Community Development—the leading corporate civic group in our region. By extension I also represent other pro-business, economic development groups in southwestern Pennsylvania.

In fact, as a shared employee of these groups, I am in a unique position to outline the concerns of the business community and the greater economic development community in our region.

The health of Pittsburgh International Airport is vital to the business and economic development interests of southwestern Pennsylvania. The airport provides important links for our business community and jobs for thousands of families. For hundreds of thousands of air passengers every year, the airport provides the first—and often the only—window into this wonderful region of ours. Clearly, for the business and economic development communities of southwestern Pennsylvania, the airport is a preeminent asset that should be both protected and allowed to flourish.

I should be clear in nothing that no group I represent has taken a formal position either in support or in opposition to the proposed merger of these airlines. However, as you can imagine, news of the merger has sparked significant discussion and debate. At this time, each group is in the process of gathering information, educating boards and membership, and analyzing key data. These groups can be expected to take formal positions in the near future.

However, in discussions of the merger, agreement is clear on certain significant points that I am pleased to outline for you today:

The prospect of increasing the number of direct and one-stop flights to domestic and international destinations from Pittsburgh International Airport presents a significant opportunity for our region. Even in the “New Economy” there is no substitute for efficient person to person contact in the business world. Our business community places great value on the ability to fly to key destinations. Our recent prolonged, but successful, fight to reinstate a direct Pittsburgh to London route is an excellent example of the importance we place on flight access. The proposed merger is expected to result in significant new flight opportunities—including destinations of high interest to the high tech community like San Jose, CA; Portland, OR; and Asia. We strongly support increased destinations and encourage our political leaders not to ignore the tangible benefits of these assets.

The maintenance and expansion of “hub” status for Pittsburgh International Airport is essential to our economic development efforts. While there are costs as well as benefits associated with hub airports, we all agree that the benefits outweigh the costs and stand strongly in support of retaining this status for Pittsburgh. United Airlines has publicly stated that they intend to expand and grow Pittsburgh International as a hub airport. We are hopeful that United is sincere. Increased flights and the preservation of jobs across the board are directly tied to our status as a hub airport. The costs associated with hub status have mainly to do with pricing, and I will address that issue later.

Each of our groups strongly encouraged United Airlines to build a maintenance facility to accommodate the new Airbus jets at Pittsburgh International Airport. Without question, no other issue has been addressed with more concern or less information. Our local, state and federal political leaders, as well as labor and community leaders have all joined in unanimity in attempts to get this deal done. United Airlines is currently studying their options. We join with you, Senator Specter and Senator Santorum, our congressional delegation. Governor Ridge and Chief Executive Roddey, and all concerned parties in voicing our strong support for a positive decision on this issue. Speaking personally, as a resident of western Allegheny County all my life, I know what the economic impact of losing these maintenance jobs will mean to the viability of communities in that region. We must all be supremely diligent and persistent in affecting a positive outcome on this decision.

I earlier mentioned pricing as a cost which mitigates the benefits of being a hub airport. Within the Pittsburgh business community no issue is certain to elicit more testimonials of outrage than the cost of flying from Pittsburgh International Airport. In the interest of decorum I have omitted some of the more colorful remarks in relation to this issue, but such descriptive adjectives as “outlandish,” “outrageous” and “usurious” are among the more frequent. We all recognize that higher ticket prices on certain routes is the price we pay for maintaining flight access. And the business community is willing to pay a premium for that benefit. As an advocate for business I am put in the curious position of objecting to a private company’s right to charge what the market will bear. But clearly some effort must be made to reduce the size of the premium local flyers are forced to carry.

Finally, any assessment of this merger must include an analysis of US Airways’ future prospects as a healthy and successful enterprise in the absence of joining with United Airlines. It has been no secret that US Airways has struggled to be consistently profitable due to a wide range of factors—not the least of which is the high operating costs of Pittsburgh International Airport. An objective conclusion could be reached that US Airways’ ability to compete on its own in the current airline industry is precarious. If this airline were to collapse, the negative economic impact to the region would be catastrophic and far-reaching. Speculation as to the benefits or detriments associated with the proposed merger might require a necessary leap of faith when viewed in this light.

Business and economic development groups in southwestern Pennsylvania cooperate to an extensive degree—especially when issues of such overarching importance as this proposed merger arise. I can assure you that we will continue to fight to see that the region’s interests are advanced.

Senator Specter and Senator Santorum, thank you again for holding this important hearing and for giving me the opportunity to address these issues. At this time, I am available to answer any questions you may have.

Senator SPECTER. Thank you very much, Mr. Fratto.

Dr. Taylor, we’ll start with you. You say, obviously accurately, that the market power on the increase enables the charging of higher prices, but there’s already a large market share, and that’s a matter that should be inquired into very closely by various governmental agencies or committees of inquiry.

Could you expand upon that? Just how do those generalizations apply to this proposed merger?

Mr. TAYLOR. Well, what studies have generally shown is that when an airline gains a market share somewhere in excess of 70 percent on a particular route, that that's where things start to get dangerous, that that becomes close enough to a monopolized power that they're able to raise hairs about what the otherwise competitive level would be.

Frankly, my understanding is that when the antitrust division of the Justice Department looks at a merger like this, what they first focus on is the way in which it increases market share on particular routes.

Now, in the case of United and US Airways, there aren't that many routes out of Pittsburgh where they do compete head to head. I know there is a Chicago route and some flight to Dulles that would compete on the Washington routes, but mostly US Airways dominates that.

So I don't think that's so much the issue. It's just when you look at this issue from Pittsburgh's perspective, you sure wish that we could somehow figure out a way to get a little bit more competition, especially in the east.

And this seems like it's a step kind of in the wrong direction. Because instead the merger with United worries me now that instead of having—it's certainly not going to reduce the competition in the east. And it worries me that it's going to reduce the competition a little bit going to the west, where we already are in better shape.

I have no idea, I have seriously no idea what the Justice Department could do about this if they decide to approve this merger or if they recommend to the Department of Transportation to approve this merger.

It's possible they could negotiate or that you, along with the regulators, could negotiate with United and US Airways some divestiture here in Pittsburgh similar to what they've already offered out of Reagan National, but again that's speculation on my part.

Senator SPECTER. Mr. George and Mr. Mahone, you're operating as a tag team here. What suggestions would you have to try to bring other carriers in, and how can you attract Southwest to fly to Philadelphia out of Pittsburgh? Hypothetically I was about to say, but it's not a bad idea.

Mr. MAHONE. Mr. George was asking me a question, also.

Senator SPECTER. Come up on the panel, Mr. George, if you're going to ask questions.

Mr. MAHONE. Mr. George, why don't you begin.

Mr. GEORGE. We believe that you must continue to bring in competition, and the only reason those fares are high is because we don't have competition on it. We've actively gone after a number of different carriers, and we are talking with carriers. US Airways has not tried to dissuade us from that.

Senator SPECTER. Do you have gates to put them at if you get them?

Mr. GEORGE. Yes, sir, we do. I talked with your staff. We have 75 total jet gates at the airport right now. We control ten of those gates. Fifty of those gates are leased to US Airways, the rest were leased to a number of other carriers, some of them exclusive.

But we do have control, and we have the capability to handle both international and domestic flights and expansion. The facility is uniquely positioned, also, that within construction time, we can put 25 more gates on.

Additionally, the turns on the gates are a little bit below the average turns.

Senator SPECTER. Moving away from the gate issue, what are the considerations on bringing in another carrier?

Mr. GEORGE. Well, I think it's more the consideration on—

Senator SPECTER. A few years back TWA competed with then USAir, even then Allegheny on the Pittsburgh to Philadelphia route. What happened with TWA, if you remember, or if you knew?

Mr. GEORGE. No, I didn't know that. I wasn't here then at that time. But we brought in two new carriers—well, one new carrier, Pan Am, has begun service at Pittsburgh, and they're running about six flights a day out of here, 12 flights a day.

Senator SPECTER. To Philadelphia.

Mr. GEORGE. Not to Philadelphia. We're talking to them both about Philadelphia and about Harrisburg. And a vanguard has begun additional service not only to Chicago, but they started flying to both Atlanta and Myrtle Beach, and immediately the price came down.

And we're talking with three or four other carriers. We, like every other airport in the country, have talked to Southwest. We've talked with Jet Blue and also Air Tran about coming in and providing some competition.

Senator SPECTER. Are there any prospects currently to find an airline to come in to fly to Philadelphia from Pittsburgh?

Mr. GEORGE. No, not at this time, we don't have them. Pan Am is talking to us about both Philadelphia and also Harrisburg, but there has not been a commitment made yet.

Senator SPECTER. Mr. Fratto, do you expect that the business community will take a formal position on this proposed merger?

Mr. FRATTO. Yeah. I expect that they will. I mean, and just to add to Mr. George's response, actually the business community has probably as much fault in this situation as any other group.

We think of US Airways rightly so as a local company. We know that they're headquartered in northern Virginia. But with a number of jobs in Pittsburgh and their corporate presence here, we think of them as a local company, and certainly the corporate world thinks of them that way.

When competition is brought in and prices do come down, ordinarily the business community has seen competitive prices at US Airways, has always gone back to US Airways and has not helped competing airlines compete in our market.

I don't know that they've recognized this in the past that that's the way it works. But they need to participate in that effort, if there is going to be any effort to bring down the prices.

If they're comfortable with US Airways or it becomes United, there is nothing anybody can force them to do, but they have to look at the macro picture here in how competing airlines will affect the prices in this market.

Senator SPECTER. Thank you, Mr. Fratto. Senator Santorum?

Senator SANTORUM. Tony brings up a good point, and I think in many respects I am a typical Pittsburgher. If I have a chance to fly US Airways or United, I fly US Airways. If I have a chance to fly US Airways or any other airline, I fly US Airways. Because I try to support the local folks.

And maybe that results in less competition. I don't know. But, you know, I think we out here in Southwestern Pennsylvania, you know, are very loyal, and we're going to support our own hometown folks.

And that probably is in some respects it's a great, wonderful quality, but it doesn't help you expand the competition if you're not going to fly to other airlines.

Is that—

Mr. GEORGE. That's very correct, Senator. What happens is that a vanguard will come in. They'll drop their fares. US Airways will, of course, automatically match them. But like you, I have my frequent flyer miles with US Airways.

And what we have to do is convince the business community and the people to fly on the vanguard, fill up their seats, then go to US Airways, because the minute the vanguard doesn't make money and leaves is the minute US Airways is going to increase their prices again.

Senator SANTORUM. Dr. Taylor, looking at your chart here, which shows Pittsburgh as higher than any of these other comparable areas, I see only three of those long list of cities are also hub airports.

Mr. TAYLOR. Right.

Senator SANTORUM. It would be Chicago, Detroit, and Washington. If you run a similar analysis on looking where we are with respect to hub airports, number one, number two, why do you think Pittsburgh is so much higher?

Mr. TAYLOR. Well, you almost answered your question. The hub aspect really does matter a lot. If we were to do this same analysis for all airports across the country, what you discover is that, you know, having already taken account of the passenger distance—that's obviously going to matter. The longer the passenger distance, the higher the fares.

But having taken that into account, people flying out of hubs do pay more. This is true generally. People out of Cincinnati pay more, people out of Dallas or St. Louis.

So part of this is the hub. But, of course, that's exactly the whole point of this antitrust issue. The folks at antitrust and the Department of Justice are really worried about this, because the hub and spoke system is an efficient model. It's a good business model.

But what it can do is when it runs amuck, it can give one airline simply too much power out of one airport, and then there is not that much that can be done about it.

The kind of behavior that Mr. George talked about is illegal, but it's not generally prosecuted.

Senator SANTORUM. OK; just even looking at those cities that are hubs, we are higher than anybody else. Is there any other particular reason, if you would look at other hubs, why Pittsburgh is highest?

Mr. TAYLOR. I don't have a definitive answer, but I can give you a guess. If you look at the other hubs, Detroit, Chicago, and you mentioned Washington, none of them have anywhere near as high a dominance of one airline as does Pittsburgh.

Actually having done this for your committee, I'm going to use this for my class this fall when I talk about monopoly and just ask them the question, based on market shares, which would you predict to have the highest fares? And it will be Pittsburgh because of the extremely high market share that US Airways holds.

Senator SANTORUM. Can I maybe throw another factor in that at least leads me to think maybe one of the reasons we're higher, Kent, what percentage of the passengers flying out of Pittsburgh originate in Pittsburgh, originate or end up in Pittsburgh?

Mr. TAYLOR. These are all—I don't know the answer to your question, but just to clear up the analysis, this is all point-to-point service.

Senator SANTORUM. I understand that. That's not the question but—

Mr. GEORGE. About 30 percent to 35 percent.

Senator SANTORUM. What is average for a hub?

Mr. GEORGE. It depends on their O&D market, and in Chicago it's huge, but in Atlanta it's huge.

Senator SANTORUM. How about Detroit?

Mr. GEORGE. I don't have that answer, but in Charlotte it's about like us or a little bit less. Charlotte has high fares, also. But you have the trade-off. We have access to the world.

Senator SANTORUM. I guess the point I'm trying to make is when I look at these other cities that we're compared with here, and I don't know Detroit, but I certainly know Chicago and Washington. We have a much higher percentage of the traveling public going to those airports that originate in those cities.

So I would think that that would have an impact on the cost of the fares, because you're getting a lot of through traffic as opposed to origination traffic. Maybe? Maybe not? Yes? No?

Mr. TAYLOR. It's unclear to me why having through traffic should make the fares coming out of Pittsburgh higher. So when I fly to Washington, as you do on US Airways, I'm sure, we're sitting along with people who have come from Erie and over from Detroit and who knows where alongside us.

Senator SANTORUM. Why don't you talk to some people in the airline industry and see if they can give you a reason as to why having through traffic as opposed to origination adds to the cost? Because that is something that I have heard a concern about this hub.

And one of the big concerns I have about this hub is the fact that we have a very small percentage, relatively speaking, to other hubs of originations, and that that does have an impact on the cost structure of the airline operating out of that hub.

Mr. GEORGE. They charge what they feel that they can charge, Senator, and what they come through with, when these planes are literally 70 percent full when they come through here through the hub, and that's what makes it so efficient, when the local O&D traffic is sitting here, they're going to charge what the local market will bear.

And if they lose some of that, in our case it's to Cleveland or Columbus, or in some cases even to Baltimore, MD, outside of our catchman area, when they lose that, they're not losing money, because everything is incremental over and above that 70 percent.

Mr. MAHONE. I would add to that, Senator, that we've been beating around the bush quite a bit, but I think the critical component of what has created the situation here in Pittsburgh is simply market dominance. Without that these fares would not be as high as they are.

And when you look at other carriers and invite them to come in and deploy their assets against a monopolistic situation like Pittsburgh, it's just not attractive.

Senator SANTORUM. I guess I understand. I guess a couple of comments—I know my time is up, but Senator Specter is a very patient man—you're describing to me the current situation, and I'm looking at an increase in dominance of about 2 percent as a result of this merger in Pittsburgh, not what I would consider to be particularly substantial.

And so, again, I come back to the question how does this adversely affect Pittsburgh? I understand it doesn't get any better, but how does it adversely affect Pittsburgh?

And I almost feel in some respects when we're talking about fares coming out of Pittsburgh, we're the guy living in the \$2 million mansion in Fox Chapel complaining about our property taxes. I mean, you've got a \$2 million mansion here. I mean, it's a nice place. You've got great service, you've got all of these things, and we're complaining how much it costs. Well, then, you know, build a smaller house.

I mean, but we have a big house here. We've got a big airport. And it's very expensive. And if we don't have a lot of people coming in and out of here, in other words, if we don't have a hub, we've got no way to pay these bonds. Okay?

So I understand the complaints about fares, but I also understand, you know, this county spent a billion bucks building this thing for one reason. They wanted a hub. Eyes wide open as to what that meant with fares.

Mr. TAYLOR. I think you make an excellent point. So the answer to your question is the 2 percent doesn't strike me as making a real big difference, except possibly on specific routes.

And it really is fair for you folks and for the folks at Justice to pay attention to those specific routes, so to Chicago, for example, to Washington, for example. And, you know, from our perspective, well, 2 percent, that's not a big deal.

It would be kind of nice to be going 2 percent in the other direction. So maybe, as part of the merger discussions, US Airways and United could say, all right, let's see if we can't do something better for Pittsburgh.

First of all, there is the issue of the maintenance facility, which you correctly point is a very important issue. And then maybe they could do something along the lines of what they're doing at National to bring in additional competition. But I agree with your point completely, and you're exactly right, two percent.

Senator SPECTER. Thank you very much, Mr. Mahone, Mr. George, Dr. Taylor, Mr. Fratto.

Senator SPECTER. We now move to our final panel, Mr. Frank Schifano, Ms. Christine Fox, and Mr. David Guerriero.

Our first witness is Mr. Frank Schifano, currently the president and chairman of the International Association of Machinists, Local Lodge 1976, serving his third term as president and chairman. He represents approximately 2,800 mechanics and related members at the Pittsburgh International Airport.

Welcome, Mr. Schifano, and we look forward to your testimony.

PANEL CONSISTING OF FRANK SCHIFANO, PRESIDENT AND CHAIRMAN OF THE INTERNATIONAL ASSOCIATION OF MACHINISTS, LOCAL LODGE 1976; CHRISTINE FOX, PRESIDENT, COMMUNICATION WORKERS OF AMERICA, LOCAL 13302, PITTSBURGH, PA; AND DAVID GUERRIERO, VICE PRESIDENT, MASTER EXECUTIVE COUNCIL, US AIRWAYS FOR THE ASSOCIATION OF FLIGHT ATTENDANTS, AFL-CIO

STATEMENT OF FRANK SCHIFANO

Mr. SCHIFANO. Thank you, Mr. Chairman and Senator Santorum. Thank you for having us here today. I guess this is a benefit to going last. We got to hear what everybody else had to say about us.

There has been a lot of testimony regarding how the proposed merger will affect competition and the service to the traveling public. Those areas are important, and I believe they must be addressed.

But in my testimony today I would like to discuss the effects on employees of both United Airlines and US Airways.

International Association of Machinists and Aerospace Workers represents nearly 67,000 employees on both carriers. Our international president has instructed our legal department to closely examine the proposal and the impact on our members before we will make a decision as to whether to endorse or to oppose the merger.

We have many concerns including a fair and equitable contract, job security, and where will these jobs be located, as we talked about and had heard many discussions today on.

I appear before you today representing the mechanical and related group at the Pittsburgh International Airport. Pittsburgh is US Airways' largest maintenance center in the United States, and our concern is for its future.

Even though there has been testimony by United officials that would protect jobs, the uncertainty of where those jobs are for the IM members of both airlines is a concern of ours.

For 2 years we've been working on a project to build a new state-of-the-art maintenance facility in Pittsburgh, as we discussed. We have the support of the Federal, State, and local elected officials, along with business, community leaders, and labor leaders, also.

We believe this facility in Pittsburgh would make good business sense, but would also bring stability to the Pittsburgh region and would also stabilize United's system.

My belief is that United employees are as concerned with the seniority of our members and the ability to be displaced as our members are as to have to exercise that seniority.

The IM understands that there is great potential for future growth and job security, but our members in both United and US Airways must be assured of this, and we believe that Pittsburgh could be the key to this whole puzzle.

With that said, I would like to thank the chairman for the opportunity to testify before you today.

Senator SPECTER. Thank you very much, Mr. Schifano.

We turn now to Ms. Christine Fox, elected in June of this year to serve as president of the Communication Workers of America, Local 13302 in Pittsburgh.

She's worked for US Airways for 32 years. Local 13302 represents agents of the Pittsburgh Airport, Pittsburgh Reservation Center, and agents of the Baggage Call Center, which includes 1,700 union members from the Western Pennsylvania area.

Thank you for joining us, and we look forward to your testimony.

STATEMENT OF CHRISTINE FOX

Ms. FOX. Thank you. First of all, I want to thank you for this opportunity to address the committee. You have some very important issues regarding this merger.

My name, of course, is Chris Fox. I'm the president, recently elected, so I'm new at this. You have to forgive me.

Our membership consists of what we term inside or the public contact workers. These are the gates, ticket counters, the club representatives, the special assistance workers, all of those people that you see when you go through the airports, as well as when you use the city ticket offices.

We also represent the Baggage Call Center, which is not public, but when you have a problem with your bags, that's who you talk to, and our reservation center.

Now, our reservations centers are very diversified. We have specialty desks. We have an international department in Pittsburgh, as well as the dividend miles awards, part of the reservations. So there are a lot of specialty job functions, as well as just making regular reservations.

We also represent Erie—we can't leave them out—Erie, Pennsylvania, and then our other local is the Philadelphia local, 13301. It's in the process of being established with their local officers, and there's about 700 people there.

So although we don't represent the clerical, the trainers, the various persons at administrative representatives, we are concerned for them. We want their futures and their job security here in Pittsburgh, as well.

Many of the jobs at United and USAir are—they share a common day-to-day operation so mentioned like the dispatchers earlier. We have the same, similar situations in a lot of our administrative work in the Pittsburgh area.

These jobs involve industry-specific skills, which if something were to happen and these people did not have these jobs here, it would be hard for them to go out in an entry level position and get a job that pays comparable, has the same benefits.

Most of our reservations and Baggage Call Center people are women. If for some reason United decided to keep the reservation center but to downsize it considerably, a lot of these women might

have the opportunity to transfer to another city, but probably would not take those jobs because of their husbands' careers, because of their many family network that help them with their children.

Single mothers, for example, probably would find it hard to move, because I know, being a single mother, I have had help from my family all of the years I've raised my children.

So you have to look at those type of jobs. When they say no furloughs, that generally means we have offered you a job somewhere, and it's up to you if you want it or you turn it down.

That's mainly what I want to put an emphasis on. We've heard the promises that reservation won't leave Pittsburgh, but we don't know will it remain as large.

We have 900 people in the reservation center and another 70 in the Baggage Call Center. We don't know where those jobs—are 900 jobs going to stay in Pittsburgh? Are the administrative people that support us going to remain in Pittsburgh?

So that's mainly our concern. We need guarantees for all of the jobs here. The effort of the Allegheny County leadership to secure the proposed maintenance facility for the airport is important to the security of certain jobs in this area.

We support those efforts. However, we don't want to be the trade-off for those jobs. We hear the promises that, you know, the hub will remain a hub. United Airlines insists that they want to grow the hub, as well as Shelley's promise about reservations, but we're suspicious of such verbal promises.

We've seen reservations close because of mergers. I've seen four of them close. We've seen hubs come and go. Cleveland and Dayton are examples. Baltimore is also an example.

Baltimore and Washington, it was a hub, then it wasn't a hub. Now it's a hub for Metro Jet.

So, you know, it's nice to say that none of these things will ever happen, and I know there is no guarantees for life, but I think we need to see something a little more specific in their planning, like what they plan to do with certain departments.

These types of promises we want for our workers in Pittsburgh, but we want something more solid than just saying it. There is an anticompetitive impact on the United and US Airways merger on Pittsburgh.

Granted, Pittsburgh has mostly US Airways and has little competition, but we control about 75 percent of this market, is what I've been told.

By way of comparison, Philadelphia would control about 55 percent. United is the second largest competitor—

Senator SPECTER. Ms. Fox, your entire statement will be made a part of record. So to the extent you can summarize, we would appreciate it.

Ms. FOX. OK. all right. Well, I won't go through then—there are some charts here, but you can look at those later.

All I want to say is that in Pittsburgh we have seen the various mergers and the impacts. Earlier someone did state about certain mergers like Koppers and Mellon and different things. And there is good and bad mergers. We're not debating that.

But I've seen the effects in communities like Aliquippa, Brad-dock, and Homestead, and many others when they were bought up by larger companies. They're still struggling to recover.

Many families left their homes, relocated, took their lifetimes to rebuild their entire careers. Many stayed in the region. Many homes broke up.

You know, what happens to communities like Moon Township when something does eventually happen to this hub? We don't take a position on this merger, but we do want some answers, and we would like them in writing. And we thank you.

Senator SPECTER. Thank you very much, Ms. Fox.

[The prepared statement of Ms. Fox follows:]

PREPARED STATEMENT OF CHRISTINE A. FOX

Good Afternoon Senator Specter, Senator Santorum and fellow Pennsylvanians. Thank you for the opportunity to address the committee today on our important issues regarding the United/US Airways merger. My name is Chris Fox. I am the President of the Communications Workers of America, Local 13302 that represents nearly 1,700 members in the Pittsburgh region. Nationally, we represent about 10,400 customer service and reservations employees at US Airways. Our membership consists of what we term the "inside" or public contact workers at the airport operation. These include: ticket counter, baggage service, and gate agents; special assistance representatives and US Airways clubs; five city ticket office locations; the baggage service call center and reservations. We also represent the US Airways Passenger Service workers in the Erie Airport. Our Sister local 13301 in Philadelphia represents another 700 passenger service workers in Philadelphia, Harrisburg, Allentown, and Wilkes-Barre.

Although we do not represent the many clerical and administrative employees at US Airways in the Pittsburgh area, we are also concerned about their futures and job security.

Many of the jobs that United and US Airways share in common are crucial to the day-to-day operation of the airline. These workers along with our represented passenger service workers are often long-term employees who have built their careers from entry-level positions to the quality, good paying jobs they hold today. Many of these jobs involve industry specific skills; new jobs with comparable benefits and salaries would not be available in the area if there were closures or staff reductions. Many would be forced to relocate or survive on a lesser standard of living. Most of our reservations and baggage call center employees are women. If those departments were closed or downsized, it is doubtful that most would attempt to relocate because of their spouses' career obligations. Single mothers would have to consider separating from their network of support of family and friends. Beyond the personal impact on the affected workers, the political, economic, and social ripple effect of lost jobs on this scale would be significant to the region and its development.

We need guarantees for all jobs here in Pittsburgh and not only for two years. The efforts of the Allegheny County Leadership to secure the proposed maintenance facility for the airport is important to the security of certain jobs in the area. We support these efforts. However, this proposed facility must not be a trade-off for the workers in the Pittsburgh region.

We hear the promises that the Pittsburgh Airport will remain a hub; in fact, United Airlines insists that they want to grow the hub. In addition, Shelly Longmuir, Senior Vice President of International, Regulatory and Governmental Affairs at United has stated that there was "no plan to transfer the reservations work in Pittsburgh to another location." This promise is like a "shell game." While the reservations office may stay in Pittsburgh, what happens to the specialty desk functions or vice versa? But we are suspicious of such verbal promises. We have seen reservations centers close as well as hubs come and go in this industry. Remember Cleveland and Dayton? In Dayton, US Airways management told our workers to "go ahead, buy your new homes, US Airways is here to stay in Dayton as a HUB." Within weeks, the employees got the news, first from the newspapers, that the Dayton Hub was being eliminated. Baltimore/Washington (BWI) is another example of a former Hub location. Only when US Airways created Metrojet did BWI return to Hub status for Metrojet. Are these the type of promises we want for our workers in Pittsburgh? While we are not standing opposed to this merger, we want written guarantees of acceptable job security.

There is an anti-competitive impact of the United and US Airways merger on Pittsburgh.

The air-traveling public in the Pittsburgh region have very little choice when they fly. US Airways controls 75% of the market at Pittsburgh. By ways of comparison, US Airways controls 55% of traffic at its Philadelphia hub.

United is the second largest competitor to US Airways at Pittsburgh with 4% market share. Delta is US Airways closest competitor with nearly 6% market share. The destinations for which consumers have some choice of airlines are the hub cities of the competing airlines. The merger between US Airways and United will significantly reduce competition in the routes between four of United hub cities.

ANTI-COMPETITIVE IMPACT OF MERGER: PITTSBURGH ROUTES

Destination	US Airways % market share	United % market share	Combined % market share
San Francisco	80.1	8.5	88.6
Denver	72.7	13.6	86.3
Los Angeles	79.7	5.9	85.6
Chicago	44.3	27.2	71.5

Increased concentration in market power resulting from this merger may allow the new United to raise fares and/or reduce the level of service by consolidating flights and reducing the number of departures to these markets.

Finally, mergers and buyouts are no stranger to the Pittsburgh area. There are many stories about our communities and their people that have suffered through plant closures and downsizing. What happened to the economies in Aliquippa, Braddock, Homestead, and many others? They are still struggling to recover. Many families left their homes, relocated in other states, and took years to rebuild their lives. Many stayed in the region, but were forced to work several minimum wage jobs in order to survive bankruptcy. The financial stress from these hardships and the disruption to what was a prosperous life caused the breakup of many homes and devastation in the lives of innocent children. What happens to communities like Moon Township where most of their businesses are supported in majority by US Airways employees?

As I stated before, we have not taken a position on this merger. However we are not strangers to adversity. We are hardworking, dedicated, long-term employees who have suffered: wage freezes, pension elimination, health care reductions, and three union elections in the past nine years. After two years of contract bargaining, we have a ratified contract gaining back some of those losses. We ask for your consideration and protection. Thank You.

Research Attachments for anti-trust considerations:

APPENDIX OF TABLES

AIRPORT: PIT—PITTSBURGH, PA

For Year: 99; Mileage Range: All

Rank/Airline	Local Connect Pax— OUT+IN	% Share
1. US	4,837,890	75.20
2. DL	366,860	5.70
3. UA	242,740	3.77
4. TW	170,820	2.66
5. AA	141,570	2.20
6. NW	130,860	2.03
7. NJ	113,070	1.76
8. RU	96,810	1.50
9. CO	93,990	1.46
10. XJ	93,630	1.46
11. MQ	84,420	1.31
12. 9N	49,140	0.76
13. W9	10,080	0.16
14. YY	1,800	0.03
15. HP	90	0.00

Rank/Airline	Local Connect Pax— OUT+IN	% Share
Total	6,433,770	100.00

DOT O&D Table 10/Aviation Data Banks Report #401.

MARKET: PIT—PITTSBURGH, PA/DEN—DENVER, CO

For Year: 99; Distance: 1,302 nonstop miles

Rank/Airline	Local & Connect Pax—OUT÷IN	% Share
1. US USAIR	93,690	72.70
2. UA United	17,570	13.63
3. NJ Vanguard	5,610	4.35
4. TW Trans World	4,270	3.31
5. DL Delta	3,430	2.66
6. NW Northwest	2,390	1.85
7. AA American	1,210	0.94
8. CO Continental	710	0.55
Total	128,880	100.00

DOT O&D Table 10/Aviation Data Banks Report #403.

MARKET: PIT—PITTSBURGH, PA/SFO—SAN FRANCISCO, CA

For Year: 99; Distance: 2,253 nonstop miles

Rank/Airline	Local & Connect Pax—OUT+IN	% Share
1. US USAIR	142,470	80.62
2. US United	15,030	8.50
3. TW Trans World	6,120	3.46
4. DL Delta	5,220	2.95
5. AA American	4,190	2.37
6. NW Northwest	1,910	1.08
7. CO Continental	1,750	0.99
8. YY Unknown	30	0.02
Total	176,720	100.00

DOT O&D Table 10/Aviation Data Banks Report #403.

MARKET: PIT—PITTSBURGH, PA/CHI—CHICAGO (ORD—MDW+CGX), IL

For Year: 99; Distance: 404 nonstop miles

Rank/Airline	Local & Connect Pax—OUT +IN	1% Share
1.US USAIR	172,710	44.28
2. UA United	106,110	27.20
3. NJ Vanguard	77,210	19.79
4. MQ Simmons	30,380	7.79
5. AA American	1,310	0.34
6. DL Delta	1,090	0.28
7. TW Trans World	870	0.22
8. NW Northwest	230	0.06
9. CO Continental	100	0.03
10. YY Unknown	40	0.01
11. RU Continental Exp	30	0.01
Total	390,080	100.00

DOT O&D Table 10/Aviation Data Banks Report #403.

MARKET: PIT—PITTSBURGH, PA/LAX—LOS ANGELES, CA

For Year: 99; Distance: 2,125 nonstop miles

Rank/Airline	Local & Connect Pax—OUT+IN	% Share
1. US USAIR	146,710	79.67
2. UA United	10,910	5.92
3. TW Trans World	9,520	5.17
4. DL Delta	6,890	3.74
5. AA American	4,910	2.67
6. CO Continental	2,750	1.49
7. NW Northwest	2,400	1.30
8. YY Unknown	60	0.03
Total	184,150	100.00

DOT O&D Table 10/Aviation Data Banks Report #403.

Senator SPECTER. We turn now to our final witness, Mr. David Guerriero, vice president of the Master Executive Council at US Airways for the Association of Flight Attendants, AFL–CIO, representing over 10,000 members at US Airways.

He began working as a flight attendant 14 years ago, was elected to vice president for a 3-year term representing nine US Airways. Bachelor of science degree in computer science from the University of Pittsburgh.

Thank you for joining us, and we look forward to your testimony.

STATEMENT OF DAVID GUERRIERO

Mr. GUERRIERO. Good afternoon, Senators. Thank you very much for giving me the opportunity to speak to you today on behalf of AFA and the 10,000 flight attendants that I represent for US Airways.

I am here to testify on behalf of the association and specifically Lynn Lenosky. President Lenosky sends her apologies and was unable to attend due to a sudden death of a family member over the weekend.

In our initial public statement we said that we needed more details about the proposed transaction before we would pass judgment on it. That continues to hold true today.

In late June, United management met with our union counterparts. In that meeting few details were provided beyond what was already public knowledge. US Airways management hasn't been forthcoming with details, either. So questions abound.

There are two primary issues facing flight attendants concerning the proposed merger. And they are negotiations for a single contract that would cover both US Airways and United flight attendants, and also United's plans for the treatment of the wholly-owned subsidiaries.

Those are the US Airways express carriers at PSA, Piedmont, and Allegheny, which are part and parcel of the purchase of US Airways Group.

AFA believes that in order to merge the operations of the airline, negotiations must result in a ratified contract that covers all flight attendants at the new United.

We are committed at working toward a contract that provides the flight attendants with the best working conditions, best rates

of pay, and best benefits in the industry, one that reflects the size and strength of the new United.

We will not approve of this transaction unless negotiations with United to merge the work groups results in such a contract. The AFA has been learning from the negotiating practices of Mr. Wolf and his negotiated contract.

AFA's leadership is also committed to insuring the futures of flight attendants at US Airways' wholly-owned subsidiaries, they're treated fairly in the merger process.

We will not stand idly by while United violates any of our flight attendant contracts, if, in fact, that is their intent.

Merging our seniority list is provided for in the AFA constitution and bylaws, and we're committed to that process. A US Airways flight attendant job is protected by a no furlough clause that lasts throughout the year 2005.

Our seniority is also protected by the Allegheny Mohawk Labor Protective Provisions negotiated as a part of our contract. Additionally, our contract is protected with a successor clause that is binding on the company.

However, we will remain neutral in our assessment of the corporate transaction until our questions are answered and our issues are addressed.

The subcommittee should know that the US Airways and the United flight attendants met in Washington, DC, 2 weeks ago to discuss the proposed merger. At the conclusion of the meeting, the leaders resolved to remain fully committed to the principle that the merger of these airlines must result in working conditions, rates of pay, and work rules for all members that are the best in the industry and farsighted in scope.

During our meeting 2 weeks ago, the leadership reaffirmed our commitment to insure a smooth transaction and effective implementation of the AFA merger policy and related provisions of the AFA constitution and bylaws.

The AFA merger policy stipulates that when two airlines merge, the flight attendants' seniority lists are merged in the most fair and equitable manner for all using date of hire. But again we stopped short of endorsing the proposed transaction and instead passed a resolution that concluded.

Therefore, be it finally resolved that we will withhold our support for the proposed transaction until we have successfully concluded that the negotiations necessary to facilitate the combination of United Airlines and US Airways Group have resulted in the best flight attendant contracts in the industry and an acceptable resolution is reached to protect the future of all flight attendants.

I want to stress that the leadership of all carriers involved will work together for the mutual benefit and protection of all AFA members.

I'd like to thank you for the opportunity to speak with you today again, and I will be happy to answer any questions that you have.

Senator SPECTER. Thank you very much, Mr. Guerriero, for your testimony and for your approach. You want to see exactly what's going to happen to your membership before you take a position.

And I think that's what Mr. Schifano said, and Ms. Fox laid it right on the line. She said that she was suspicious.

What's the difference, Ms. Fox, between suspicious and skeptical? You don't have to answer that question. But when you said you want to have it more specifically and you'd like to have it in writing, that pretty well sums it up, in order to make a judgment.

And Senator Santorum and the subcommittee and the full committee and the Senate and the U.S. Government want to make sure that everyone is treated fairly, that there is not an oligopoly which unfairly raises prices through market share and that the employees are treated fairly. And when you talk about no furloughs, it doesn't mean an, in effect, dismissal because you're being asked to move somewhere which is unrealistic.

So we intend to keep looking, keep plugging, and we like what we hear, that you're going to keep looking, too. Because that's the way to find out exactly what it is so we know what position to take or where to get the safeguards that will give appropriate assurances.

Senator SANTORUM. Thank you, Mr. Chairman, and I just have a comment, also, and that is I think I've made it fairly clear from my comments prior to this hearing and my comments at this hearing that while I have concerns generally about the traveling public and the fares in service, I frankly don't see any down side from that perspective of this merger.

What I do see as a potential down side with respect to some of the employees that you represent here in Pittsburgh, and that is my focus, and that will remain my focus until that focus is brought into clarity and I get an answer that is acceptable to the people at this table. So let's continue to stay in touch.

Senator SPECTER. Thank you all for coming today. We will have another hearing two weeks from today in the Lehigh Valley, and we will keep looking and keep examining that this proposed merger makes sense for Pennsylvania and the United States. Thank you.

[Whereupon, at 2:19 p.m., the subcommittee adjourned.]