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UNION STRUGGLE AT TRANSAMERICA AIRLINES

by Allen Cheadle

A familiar story is repeating itself at Transamerica Airlines. A company with a long history of collective bargaining with its unions is demanding substantial wage and workrule concessions in order to meet competition from new non-union competitors. There are some novel features of both the situation and the union response, however, that merit a closer look.

Economic Crisis at Transamerica? -- Transamerica Airlines, based in Oakland, California, provides charter passenger service and cargo delivery to "more countries than any other airline." Their (somewhat odd) motto: "We move odd things to odd places at odd times." The unions represented at the company are the Airline Pilots (ALPA), Flight Attendants (AFA), and the Teamsters (IBT) representing the flight engineers. Before the deregulation of the airline industry in the late 1970s, Transamerica was the leading carrier of passengers among charter airlines, and it was highly profitable. Since then it has fallen to fourth or fifth in number of passengers carried and income from flight operations has declined from \$14 million in 1983 to an estimated \$1 million in 1985. Overall profitability has been maintained by selling or leasing aircraft to other airlines.

The airline claims that without concessions, the parent corporation (Transamerica Corp.) will be forced to liquidate the airline and sell off the remaining planes. Because flight personnel at Transamerica earn 10-50% more in wages and benefits than at non-union charter carriers, the airline argues that it is unable to make competitive bids for charter business. The company is demanding up to 60% in wage concessions as well as lower benefits and changes in work rules, though they claim that the 60% is negotiable. In exchange for concessions, the company is offering a profit sharing plan that would allow the employees to "hitch their wagon to Transamerica" according to a spokesperson for the airline. The terms of the profit sharing plan were not revealed.

The union argues that the crisis has been overstated by clever bookkeeping, that the airline can still compete and pay union wages. In support of this, they cite a 15% increase in the load factor (the percentage of seats filled on each flight) and a 16% increase in the amount of freight carried (cargo ton-miles). Furthermore, while current wages at Transamerica are higher than at non-union competitors, they are still substantially below those at regular commercial airlines. One example cited was the case of a Transamerica co-pilot with 12 years seniority making \$60,000 a year (less all expenses incurred in traveling) who would make \$150,000 in a similar position at United Airlines.

In the Shadow of the Pyramid -- What makes the situation novel is the role of Transamerica Corp., the insurance giant and the parent company of Transamerica Airlines. The presence of Transamerica Corp. strengthens management's hand. The company can use the profits of its other holdings to subsidize the cost of a long strike at the airline, which it might take in an attempt to break the unions. In addition, the parent company has purchased the charter of a defunct airline (Central American International), rechristened it Trans International and begun cargo operations. In the future, nothing prevents the company from transferring charter business from unionized Transamerica to non-union Trans International. This ploy is similar to a previous "runaway shop" used by Frontier Airlines to put pressure on its unions. (See LCR 118, May 1984.)

BERKELEY, CA 94720
(415) 642-0323

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The unions, however, are attempting to use the size and prestige of Transamerica Corp. to their own advantage. They have enlisted the support of a pro-labor consulting group and launched a "corporate campaign" similar to the campaign against J.P. Stevens. Unions and other organizations with pension funds invested in Transamerica Corp. or who have insurance policies through the company are being informed of the labor situation at the airline. As a result, several unions have divested their funds and more are in the process of doing so. Letter writing campaigns and other forms of pressure are being directed at banks that hold substantial amounts of Transamerica stock or bonds (Bank of America, Wells Fargo, First Interstate). Several prominent political figures have written letters directly to Transamerica deploring the situation and urging them to bargain in good faith.

In addition to these "standard" forms of pressure, some more imaginative things have been tried. Airline employees have approached employees at Budget Rent-a-Car (another Transamerica subsidiary) while on layover in various airports. Many of these rental agencies are franchises and the employees are mainly non-union. Some franchise owners are apparently upset about their employees being approached by unions and told of the bad labor relations climate at Transamerica, and have complained to the company. Finally, Peter Ueberroth, the new commissioner of baseball and czar of the 1984 Olympics is on the Board of Directors at Transamerica and was closely involved in the founding of the airline. Airline employees on layover in Minneapolis during the recent baseball All-Star game got together with a local of the Meatpackers union and handed out 20,000 leaflets to fans attending the game. The leaflets described the labor situation at the airline and Ueberroth's role at Transamerica Corp. Ueberroth was apparently "hurt and insulted" (thus also affected) by the action.

Prospects for Success of the Campaign -- The unions will be successful if the cost to Transamerica in lost business and public relations outweighs the cost of a contract. If, as stated by H.K. Howard, the president of Transamerica Airlines, the company is committed to maintaining a collective bargaining relationship with the unions, that cost may not have to be too high. If however, the company is already prepared to make a substantial investment in a long strike to break the unions, it will take a massive effort for the campaign to succeed.

The circumstantial evidence suggests that the company is out to break the unions. The concessions demanded are extreme and a bargaining session convened by a federal mediator was quickly adjourned. The company appears ready to bargain to impasse and take a strike. Secondly, a pamphlet has been given to supervisors throughout Transamerica Corp. entitled "Positive Employee Relations," with tips for supervisors about how to keep their employees satisfied and out of the reach of unions. This suggests a systematic effort on the part of Transamerica Corp. to become and stay non-union. Finally, the presence of the new non-union subsidiary, Trans International, gives the company a vehicle for maintaining its charter business while taking a strike and selling the remaining aircraft owned by Transamerica Airlines.

Thus a concerted nationwide effort may be required to bring sufficient pressure on the airline to negotiate. The union is relying on an extensive educational campaign to inform other unions about labor relations at Transamerica to help generate this pressure. For further information write the campaign at : ALPA/AFA/IBT Corporate Campaign, 500 Airport Blvd., Suite 330, Burlingame, CA 94010.

-- Allen Cheadle

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