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THE WHITE HOUSE
WASHINGTON

Jim Connor said that no action
necessary on this letter.

Trudy Fry
7/2/76

THE PRESIDENT HAS SEEN....

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

Plu seen

JUL 1 1976

MEMORANDUM FOR THE PRESIDENT

FROM: W. J. USERY, JR. *WJ*

SUBJECT: Potential Strike of TWA Flight Attendants

BACKGROUND

Trans World Airlines (TWA) and Local 551 of the Transport Workers Union of America, which represents TWA flight attendants, tentatively agreed on June 6 to a collective bargaining contract to run through 1978. The tentative agreement called for wage increases up to 42% over the life of the contract. On June 25, members of the Local voted to reject the agreement primarily because of disputes over its scheduling provisions. After the vote, the Executive Board of the Local submitted 17 additional demands to the airline. These demands would raise the total cost of the agreement to approximately \$120 million; the estimated cost of the tentative agreement was \$45 million. The company alleges that the submission of these additional demands represents a failure to bargain in good faith.

The union has authorized a strike for 4:00 pm July 2, but the U.S. District Court for the Southern District of New York has granted a temporary restraining order until 5:30 pm July 5, in response to the company's allegation of failure to bargain in good faith. However, a show-cause hearing is scheduled for 2:00 pm, July 2, and it is possible that the TRO could be lifted then.

OUTLOOK

If a strike occurs, it is likely to be long and bitter. The union thinks the company cannot afford a strike, and the company is concerned that it cannot afford a large settlement, especially since it is now negotiating with its mechanics and they presumably will demand an increase at least as large as the flight attendants receive. The situation is complicated by the fact that the Local is out of control of the international union.

TWA continues to be in a precarious financial position, although it has recovered somewhat since last fall when it appeared likely to go into bankruptcy without direct government assistance (after an operating loss of \$125 million in 1975). It is projected to suffer a small loss this year, even without a strike. The airline Mutual Aid Pact would cushion the short term economic impact of a strike on the company; however, a strike of several months duration is likely to lead to severe erosion of market share, particularly in international markets, which would seriously impact the long-term outlook for the carrier. While the Civil Aeronautics Board (CAB) has the authority to authorize other carriers to operate over the routes of a struck carrier, this authority has been used rarely. In any event, such CAB action would not ameliorate the market share erosion problem.

STATUTORY PROCEDURES

Mediators from the National Mediation Board have been involved throughout the negotiations. Procedures under the Railway Labor Act, which governs collective bargaining in the airline industry, have proceeded to the point that a strike can be prevented only by further agreement between the parties or by creation of an emergency board by the President. Such a board can be created in the President's discretion after the National Mediation Board has found that a strike "would threaten substantially to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation service." If a board is created, it is required to report to the President on the facts of the dispute within thirty days, and a strike is prohibited for an additional 30 days after submission of the report.

Options

1. No Presidential involvement; instruct mediators to keep working with the parties even after a strike.

This is consistent with Federal Government goals with respect to airline industrial relations for the last eight years, and is consistent with your frequently reiterated view that free collective bargaining between the parties should be allowed to run its course without government intervention. However, considerable inconvenience would result, TWA could suffer serious erosion of market share, if the strike was prolonged, and you could be criticized for failing to take strong action.

2. Have the Secretary of Labor call on the parties voluntarily to extend their strike deadline and designate three people to look into the negotiations and report back to the Secretary.

The viability of this option would depend on the willingness of the parties voluntarily to comply with the Secretary's request. However, it would represent some tangible action without formally invoking the statutory provisions. If the request was not complied with, the Administration would be under great pressure to move to invoke the statutory procedures. Hence, while it does not preclude subsequent resort to the other options, it does tend to foreclose one of them and potentially could undermine the credibility of the Secretary.

3. Convene a Presidential emergency board.

This option would represent decisive Presidential action but might also be criticized as overreaction. An emergency board has not been convened in an airline dispute in the last ten years, and convening of such a board at this point could be criticized as a major change of precedent without an equally major threat to the economy. Moreover, convening a board would greatly increase the likelihood of a more costly settlement.

RECOMMENDATION

I will continue to monitor the situation closely, and if the strike deadline is not extended, I will recommend a course of action to you.