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## Deterioration of an airline described, and Insurance will protect traveler if airline declares bankruptcy, circa 1999

Patrice Steadman

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## **Deterioration of an airline described, and Insurance will protect traveler if airline declares bankruptcy, circa 1999**

### **Abstract**

Two articles describe the bankruptcy of Continental Airlines and the American Automobile Association's announced plan for refunds or replacement of tickets held with an airline that defaults.

Continental, which began at the airport as Varney Speed Lines in the 1930s, is the first serious airline defection El Paso has suffered due to deregulation. But deregulation is not a problem in El Paso, Mettler said. "In two or three years, if things con-

airports under deregulation has changed as well. "Airports are now marketing their cities," Mettler said. "We are now competing with and out-arguing each other — city to city."

"I don't think you should feel you are in that boat by yourself," Delta Air Lines Senior Vice President J.A. Cooper said. "There are other cities who have lost air service as well. Hopefully, we'll see a turnaround." Delta does not fly into El Paso. "The bottom line has got to be black," Bill Hastings of Pacific Southwest Airlines said.

with three business community is growing in El Paso, but it didn't add up to putting enough passengers on the flights." Cooper said Delta is reviewing new markets all the time. In the most recent review, El Paso was on the list of potential add-ons feeding into the Dallas-Fort Worth hub from

as Albuquerque was not he said, "until we went in there pleasant surprise."

— Patrice Stea

# Deterioration of an airline described

When Continental Airlines employees give their perceptions of what happened to their company, they tell the story of a good airline slipping away.

They start the story of deterioration with the day Continental Chairman Frank Lorenzo took control.

A pilot, a flight attendant and a ground crew employee — all from El Paso and with a total of 43 years in the airline industry — describe a company for which they were proud to work.

"We were the envy of the industry in management-employee relations for years," Capt. John Crouch said. "We were used to someone who treated us like professionals, like human beings.

"If there was something that we thought could be done more efficiently, we would bring it up to management. Our suggestions have fallen on deaf ears since 1979, 1980."

Then there was the meeting with Lorenzo a year ago when, Crouch said, the chairman told his pilots "the streets are full of pilots who will work for one-third what you guys make."

The natural response from one pilot at the meeting was "you get what you pay for," Crouch said.

He has worked for Continental 18 years, and nearing 40 years of age, Crouch is concerned about finding an airline that won't hold his age against him. "I fly jets. That's all I know. That's all I do."

Although considered labor because of their union status, atten-



John Crouch



Dottie Sisney



Ed Mooney

dant Dottie Sisney said that airline labor has a high degree of education, training and experience. "In another field, we would be management," she said.

But Sisney, the Union of Flight Attendants representative in El Paso, chose to make it her career nine years ago, an option that will not be possible under the new salary and work conditions Continental has proposed, she said.

Sisney said she watched service deteriorate. "We would leave without enough meals for all the passengers, or we couldn't hold the flight for a connecting flight, or we didn't make sure their bags were on the plane. Lorenzo just doesn't understand we are a service-oriented business and that we have to please people. But we were the ones up in the air trying to explain to the customers why they didn't get a meal. We used to be the best airline for customer service."

The biggest blow was seeing her passengers stranded at airports when Continental closed without notice, Sisney said.

Sisney is married to a Conti-

Continental pilot, and the combined effect of losing both their jobs is overwhelming. The Sept. 15 paychecks bounced about the time they were worried about getting paid for work done after the 15th.

"But everyday we think of other people worse off than us — two flight attendants that just had a baby, two others who just moved into a house they built in Denver ..."

For awhile, there will be lower fares. "But we hope the public realizes there are 12,000 families that are living through the result of this," Sisney said.

Continental customer service agent Ed Mooney has "come back to El Paso" three times in the last two years from assignments in San Francisco and Houston. He was brought back to El Paso Sept. 1, two weeks before he heard on television during his dinner break that his company was bankrupt.

His home and family are in El Paso, and he would like to stay here, Mooney said. "My house is

my biggest liability, and my biggest asset.

"I'm going to keep the travel trailer. I've lived out of it in Houston and San Francisco, and I may have to again," Mooney said.

To keep his job in the last few months, Mooney accepted a pay cut from a little more than \$13 an hour to \$7.50 an hour.

Mooney started with Texas International 16 years ago. After the merger of Texas International and Continental in October 1982, he could see where the situation was going. "It sort of develops a pattern after awhile," he said.

Mooney traces a complicated corporate family tree that starts with Lorenzo's Jet Capital, which acquired Texas International and spawned Texas Air Corp., and now owns New York Air. With the Texas International-Continental merger, Continental got divided into four parts: Continental Venezuela, Continental Mexico, Continental Pacific and Air Micronesia. Continental's hotels and other assets were sold.

All that corporate maneuvering accomplished one thing from Mooney's point of view. The profitable parts of Continental were stripped from the company, leaving it with all the liabilities to be dissolved into bankruptcy.

Mooney remembers an official who left Texas International telling him to "watch out for himself."

"I told him that there was a lot

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## Insurance will protect traveler if airline declares bankruptcy

Insurance is available for just about anything that can happen in this world — death, taxes and airline failures.

For years, travel agents have sold insurance for lost baggage, accidental death and trip cancellation or interruption.

After Braniff International's abrupt demise two years ago, travel agents started selling airline default insurance.

"When airlines first started, everyone used to buy life insurance for 25 cents from a little box at the airport," Sun Travel agent Justine Coleman said. "They were sure the airplane was going to go down."

Today's passengers aren't as worried about an airplane going down in midflight as they are about the possibility of the airline going down financially before their plane takes off.

Two types of airline default insurance are available. Straight "supplier default" costs about 4 percent of each \$100 dollars worth of tickets bought. That covers an airline defaulting or the passenger who cancels at the last minute.

Then there is coverage for accidental death, medical expenses, lost baggage, and cancellation (default) insurance that runs about \$40 for one week, she said. "It would cover up to \$600 in non-reimbursable expenses, like your Continental flights," Coleman said.

Buck Rogers co-owner Richard Dayoub said, "After Braniff went under, we sold a lot of default protection. That has dropped to zero. But within a month, sales are going to skyrocket."

Anyone who bought default protection on Continental tickets can expect to see a full refund or alternate arrangements made, Dayoub said.

The American Automobile Association recently announced a plan for refunds or replacement of tickets held with an airline that defaults. AAA El Paso office manager Gloria Nunez said that the AAA plan is only good for tickets issued with a AAA travel agency, and there are none in El Paso.

But travelers stranded in El Paso who bought tickets from a AAA travel agency can get a refund at the office on Paisano.

— Patrice Steadmon

