

February 24, 2010

Re: Protecting Employees and Retirees in Business Bankruptcy Act of 2010

Dear Representative,

On behalf of the International Association of Machinists and Aerospace Workers (IAM) I am writing to ask your support for and co-sponsorship of the Protecting Employees and Retirees in Business Bankruptcy Act of 2010. The need for this legislation is clear and all too painful for the thousands of IAM members and retirees who have seen their wages, benefits, and pensions shredded as airlines used bankruptcy to gut union contracts, while airline executives rewarded themselves with lucrative bonuses. This scenario played out at United Airlines, US Airways, Northwest Airlines, and Hawaiian Airlines. Additionally, we have witnessed this same management playbook at manufacturing companies like Delphi, the Dana Corporation, and General Motors.

This legislation would bring fairness for workers and retirees by protecting their interests in the bankruptcy process. This would be accomplished by:

**Ensuring that paying workers what they are owed is as important as paying banks:**

- Increases the payment priority for lost wages and benefit plans to \$40,000 per employee;
- Lets workers recover on losses due to wage cuts and other concessions - just like other unsecured creditors who may receive distributions of stock or cash in a bankruptcy;
- Provides workers with a new claim for lost pension benefits when a defined benefit pension plan is terminated; workers whose 401(k) plans incur losses in company stock because of company fraud have an additional priority claim.

**Sharing any sacrifice among CEOs and workers:**

- Mandates that when workers are forced to accept wage and benefit cuts, creditors can take the same percentage in labor cost savings from compensation paid to senior management;
- Bars companies from leaving pension plans for executives intact when the employees' pension plan has been terminated in bankruptcy;
- Bars companies from leaving health care benefits for retired executives intact when health care has been cut for rank-and-file retirees.

### **Protecting workers against abuse and misuse of bankruptcy:**

- Changes judicial procedures that now too easily allow employers to extract deep concessions well beyond what the company needs to reorganize and that workers must live with long after other creditors have cashed out their investments and moved on;
- Overturns court rulings in airline bankruptcies that have interpreted bankruptcy law to prohibit airline workers from engaging in economic self-help through strikes and other concerted activities. The right to self-help ensures that the bargaining parties understand the consequences of failing to reach a negotiated agreement.

### **Protecting workers' interests in a reorganization plan or sale of assets:**

- Requires the bankruptcy court to consider the preservation of existing jobs and benefits when approving a company's reorganization plan or a sale of assets to a third party.

Our bankruptcy laws must be changed. Ensuring employers engage in good-faith bargaining when seeking contract modifications must be codified into law. Companies cannot be allowed to use our bankruptcy laws to eliminate decades of collective bargaining gains with the bang of a gavel.

We strongly urge that you become a cosponsor of this important legislation being introduced today by Judiciary Committee Chairman John Conyers, Jr. House cosponsors are being coordinated by Travis Shrout, who can be reached at 226-7680, or at [travis.shrout@mail.house.gov](mailto:travis.shrout@mail.house.gov).

If you have any questions, please contact Legislative and Political Action Director Matthew McKinnon at (301) 967-4575.

Sincerely,



R. Thomas Buffenbarger  
International President