



## **Aircraft Mechanics Fraternal Association**

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April 10, 2006

Ms. Nancy Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, Northeast  
Washington, D.C. 20549

Re: Transparency in Executive Compensation - File S7-03-06

Dear Ms. Morris,

The Aircraft Mechanics Fraternal Association (AMFA) hereby submits its comments on the subject of the SEC's proposal to make executive pay more transparent.

Representing nearly 13,000 mechanics and related at seven airlines, AMFA has seen firsthand the perils of poor management. United Airlines (5700 AMFA members) spent three (3) years in bankruptcy, recently emerging under the auspices of a perceived profit. This emergence was realized only after the company decided that its pension programs, totaling over \$12 billion in *promised* retirement funds, were too daunting to maintain in any fashion, so they were subsequently terminated and laid at the doorstep of the federal government. This is not to mention the substantial pay cuts taken by ALL workgroups within the airline. Much to the chagrin of the rank-and-file employees, UAL's emergence from bankruptcy was met with substantial incentives, in the form of stock options, for the few at the top of the company.

It must be said that AMFA is reticent to the fact that, by nature, those who manage in the workplace are going to be compensated more handsomely than the everyday shift worker. This is a fact of business. AMFA further recognizes that the people at the top, making operational decisions in a multi-billion dollar industry, have the responsibility to act on behalf of tens of thousands of employees, that is most certainly a hefty burden to bear. But, AMFA feels that the inherent responsibility towards the rank-and-file employee, on behalf of senior management, behooves those at the top of *any* company to disclose, as accurately and completely as is possible, the extent of the compensation of these executives.

While AMFA understands that one's private income is a personal matter, there are exceptions to the level of secrecy. A rank-and-file employee making \$60,000 per year has a responsibility to his/her family and dependants, not to mention to the flying public - the tens of millions of people flying on AMFA-maintained aircraft annually. The CEO of a company has a personal responsibility, like the rank-and-filer, to his/her immediate family as well, but also carries, as

previously mentioned, a burden of responsibility to every person on the floor to manage the company in a manner that allows for workers to make a living. Management teams make decisions every day concerning profits, sales, acquisitions, etc. that have an effect, whether immediate or over the long term, on the everyday shift worker. The role of manager, a role *chosen* by the individual taking the position, carries with it an inherent double standard with regards to compensation. If the company is doing poorly, the people working for the company have an absolute right to know how company assets are being distributed to the people making decisions resulting the demise of the business.

There have been arguments made that there is a competitive advantage for a company to withhold some aspects of executive compensation from public disclosure due to concerns of ‘talent retention,’ a claim that carries some merit. That said, the financial performance of the airline industry, with a couple of notable exceptions, has not borne results that would lead any outside observer to think that there is a surplus of talent in these executive teams. As recently as 2005, Northwest Airlines’ board members dumped literally millions of stock options early in the year, while the stock had value, only to see the carrier enter bankruptcy a few months later. All of these sales were posted for public viewing on both the carrier’s website and that of the SEC.

The cases of United and Northwest lead AMFA to believe that greater transparency coupled with less secrecy in the board room is all fine and well, and certainly a step in the right direction. But, it must be said that greater accessibility does not necessarily transfer into greater scrutiny, nor does it lead necessarily to a curbing of egregious executive pay packages. When there are nearly 6,000 men and women taking 20% pay reductions, and then reading reports of incentive packages potentially worth in excess of \$40 million going to a single individual, it fosters a degree of animosity. The problem does not lie in the idea of rewarding people for doing good work, rather, the issue is that the overtures of cost savings and frugality promulgated by these people for years seems to go out the window when the check is made out to them. Furthermore, an emergence from bankruptcy, or even surviving a close brush with Chapter 11, is nowhere near the traditional meaning of the term “success.”

AMFA supports the SEC’s measures to increase transparency in executive compensation, but with the reservation that this is merely a small piece of a large pie. Workers taking pay cuts to help their ailing company is a reality in some cases, but as the burden of hardship must be shared by all, so too must the spoils of success.

Thank you.

Respectfully,

A handwritten signature in black ink that reads "O.V. Delle-Femine". The signature is written in a cursive, slightly slanted style.

O.V. Delle-Femine  
AMFA National Director