

United Opens Talks With 88% of Workers as Slump Grips Airline

By Mary Schlangenhein
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April 8 (Bloomberg) -- United Airlines opens talks this month with unions representing 88 percent of its employees, the first contract bargaining since exiting bankruptcy in 2006, amid a recession and a “canyon of distrust.”

While unions for 42,500 workers seek to recoup at least some of the pay and benefits lost in the carrier’s three-year reorganization, UAL Corp.’s United will try to control costs amid dwindling traffic and five straight quarterly losses.

“United, and for that matter, the industry, just doesn’t have the financial strength to meet the demands being laid out there,” said Jerry Glass, president of consulting firm F&H Solutions Group in Washington. The airline “will try to provide some increases for the employees, but also make sure they don’t get into a situation where they do more than they can afford.”

Looming over the talks are memories of union concessions, 24,000 job cuts in bankruptcy and 7,000 more since July, and an equity stake for employees that has lost 86 percent of its value since the third-largest U.S. airline left court protection.

“It has been nearly a decade since our members had an opportunity to propose changes to their collective bargaining agreements,” said Rich Delaney, president of a Machinists local for 16,000 employees, including ramp workers. “The challenge we face in these negotiations is bridging a canyon of distrust.”

Six Unions

Discussions opened yesterday with the International Association of Machinists and Aerospace Workers, one of six unions at Chicago-based United. Members’ wages were cut 13 percent in 2003 and 5.5 percent in 2005.

United began negotiations on April 6 with the Association of Flight Attendants-CWA, which represents 16,000 attendants. Bargaining starts tomorrow with the Air Line Pilots Association; with the Teamsters, representing mechanics, on April 14; and with two smaller unions on April 10 and April 15.

“We are just beginning our opening talks,” said Jean Medina, a United spokeswoman. The goal is “cooperative discussions resulting in agreements that provide stability for our company and our people.”

With new contracts in place for at least some unions at carriers including Delta Air Lines Inc., the world's largest, United may be one of two industry flashpoints between management and labor this year.

AMR Corp.'s American Airlines, the world's second-biggest carrier, also is in talks with unions representing all its major labor groups. Pilots there are discussing how they would strike as they slog through bargaining that dates to 2006.

U.S. Labor Law

While federal law makes airline walkouts difficult -- the last U.S. pilot strike at a major carrier was in 1997 -- the bargaining can spill over into picketing in terminals, allegations of work slowdowns and charges of union-busting.

Squabbling between United and its pilots predates the labor talks.

In March, a U.S. appeals court upheld an injunction barring United's ALPA chapter from backing sick calls and rejections of flying assignments that forced cancellation of more than 300 flights from May 31 to Aug. 1.

Chapter Chairman Steve Wallach said the increase in sick calls was "purely a coincidence," not a union effort. The flight attendants union weighed in, too, saying United's suit was designed to "distract workers and travelers of United Airlines from the failures of current executives."

Blaming the CEO

In August, the pilots took on Chief Executive Officer Glenn Tilton, 60, starting a Web site to demand the ouster of the CEO who led UAL into bankruptcy in December 2002 and steered it out on Feb. 1, 2006.

UAL's stock decline since then is the second worst among 13 carriers in the Bloomberg U.S. Airlines Index and has erased most of the value of the \$2 billion equity stake given to employees in exchange for the termination of their pensions. The shares fell 39 cents, or 6.7 percent, to \$5.47 yesterday in Nasdaq Stock Market composite trading.

The company's loss streak probably dragged through the first quarter, with a deficit of \$4.21 a share, based on the average estimate of 10 analysts surveyed by Bloomberg.

Adding to the strain on UAL were jet-fuel prices that rose to a record last year. Passenger traffic on United's main jet operations has tumbled for at least 14 straight months through March, crimped by the soft economy and reductions in flying to conserve cash.

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With those pressures on the industry, United's workers likely will have to temper their demands, said Glass, the consultant.

"The unions see the company's performance," he said. "There is no way in that environment that you can have a sustainable future in this industry by acceding to double-digit pay increases or some of the other demands that are out there."

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