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Continental, United Pilots Craft Plan for Joint Contract Talks in Merger

By Mary Schlangenstein and Mary Jane Credeur - May 6, 2010

[Continental Airlines Inc.](#) and [United Airlines](#) pilot unions agreed on a framework for joint contract talks with management, a first move toward meshing work groups as the two carriers prepare to merge.

Support from unions, particularly pilots, can be pivotal to a tie-up's success because unified labor contracts let airlines operate more efficiently. The issue is so important that [Delta Air Lines Inc.](#) began bargaining with pilots before unveiling its deal to buy Northwest Airlines Corp. in 2008.

"Reaching agreement on a process for a joint contract is a positive step," said [Jerry Glass](#), a former [US Airways Group Inc.](#) human resources executive who is now president of consultant F&H Solutions Group in Washington. "It takes much of the guesswork out of how a contract will be achieved."

The plan requires pilots to negotiate a joint labor accord before they combine union seniority lists, [Jay Pierce](#), chairman of Continental's [Air Line Pilots Association](#) unit, said in an interview yesterday. Seniority is crucial to pilots because it determines pay, benefits and the planes and routes they fly.

"We won't complete the seniority list integration until we get the collective bargaining agreement done," Pierce said. "That way nobody can hold the collective bargaining process hostage because of the seniority list integration."

Merger Value

United and Houston-based Continental agreed May 3 to an all-stock merger that will create the world's largest airline, which will keep United's name and Chicago headquarters. The companies have said they expect to a late-2010 closing. The terms of the deal valued Continental's shares at \$2.9 billion yesterday, based on data compiled by Bloomberg.

Completing the merger is “absolutely not” contingent on reaching labor agreements first, Continental Chief Executive Officer [Jeff Smisek](#) said on a conference call when the tie-up was announced. He will run the combined airline.

Continental has 4,600 pilots and 147 on furlough, while United has 6,500 and 1,437 who have been laid off, according to the carriers’ unions.

[David Kelly](#), a spokesman for United’s pilots, declined to comment about the labor plan outlined by Pierce, who said the next step is approval by national ALPA President [John Prater](#), a Continental pilot and former United instructor.

A message left for comment with the national union’s headquarters in Washington wasn’t immediately returned. Pilots at United and Continental have kept in contact since the companies’ failed merger attempt in 2008.

Airlines’ Views

“The pilots have made it clear they want a joint collective bargaining agreement, and Continental thinks that makes sense,” said [Julie King](#), a spokeswoman.

United’s [Megan McCarthy](#) said the [UAL Corp.](#) unit “looks forward to working with ALPA on a joint agreement that is beneficial for United and our employees.”

[UAL](#) fell \$1.81, or 9.2 percent, to \$17.97 on the Nasdaq Stock Market, while Continental slid \$1.54, or 7.7 percent, to \$18.60 at 4:15 p.m. in New York Stock Exchange composite trading as the European debt crisis dragged down U.S. stocks.

The pilot union leaders’ agreement may help United and Continental avoid a recurrence of the situation at US Airways, where a seniority dispute means pilots still work under separate contracts almost five years after that airline combined with [America West Holdings Corp.](#)

Labor Tension

Labor tension at US Airways spurred pilots to dump ALPA as their bargaining representative in 2008. US Airways’ flight attendants also work under separate pay and benefit levels and work rules.

In 2008, Delta worked around a seniority impasse between its pilots and those at Northwest during the carriers’ talks on a combination by initially offering a higher-paying contract to only its own pilots. Northwest pilots were added later, and the unions used an outside arbitrator to draw up a combined seniority list months afterward.

Continental flight attendants represented by the [Machinists](#) will continue talks with the airline on a separate contract, while the [Teamsters](#) union, which represents 13,000 mechanics at the two carriers and 8,000 Continental ramp workers, hasn't decided how to proceed, labor leaders said.

United's attendants are represented by the Association of Flight Attendants.

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