



Sept. 28, 2010, 2:42 p.m. EDT

Southwest, AirTran pilots 'cautiously optimistic'

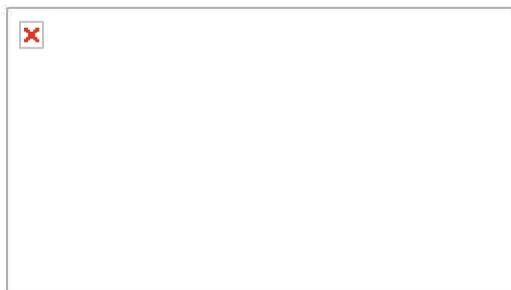
By **Christopher Hinton**, MarketWatch

NEW YORK (MarketWatch) — The pilots' unions from Southwest Airlines Co. and AirTran Holdings Inc. are scheduled to meet Tuesday afternoon, taking the first step toward easing the groups' integration into one workforce now that the companies have agreed to merge.

Unlike the failed Southwest (NYSE:LUV) bid for Frontier Airlines last year, the offer to buy AirTran for \$4.1 billion is not contingent on any union approval. However, experts say getting the pilots to back the merger will help its long-term success.

Both unions have said they are "cautiously optimistic" over the agreement and are planning to meet in Dallas to discuss its impact.

"I expect a smooth transition all the way around," said Jerry Glass, a labor expert with F&H Solutions Group, in an interview.



The biggest hurdle will be combining the unions' seniority lists, which govern a pilot's pay rate through the type of aircraft and routes assigned. Southwest pilots outnumber their AirTran peers by more than three to one, which could allow them to move their members to the top of the list.

That was the situation when Southwest tried to purchase Frontier Airlines out of bankruptcy in 2009. The Southwest pilot union's insistence of putting Frontier's 700 pilots at the bottom of the list helped scuttle that deal.

The return of the bolt-on deal

In the latest M&A, Southwest Airlines agreed to buy AirTran Holdings for \$1.4 billion in the first major merger among U.S. discount carriers. Mike Reid and David Weidner discuss.

But AirTran wasn't under risk of bankruptcy, and that puts its pilots in a better bargaining position, experts said.

Furthermore, management is pushing for a "fair and equitable" combination — a strong hint that all pilots should receive a place on

the new list relative to their current position.

"That takes one step out of the process that could otherwise be complicated and sticky," according to Bill Swelbar, a labor expert with the Massachusetts Institute of Technology's International Center for Air Transportation.

If the list integration is completed fairly, AirTran pilots would be an eager and happy addition to Southwest, experts added. Pilots at Orlando, Fla.-based AirTran have been working without a contract for about six years, and last spring authorized the union to call a strike if negotiations with management didn't move forward.

Southwest pilots have a contract, a much better relationship with their management and receive better compensation than their AirTran peers.

“For AirTran employees, the merger will mean greater job security and stable employment, and higher wages and benefits under the Southwest contracts,” F&H's Glass said.

The Southwest Airlines Pilots' Association has 5,900 members; the AirTran branch of the Air Line Pilots Association has 1,700 members.

Copyright © 2012 MarketWatch, Inc. All rights reserved.
By using this site, you agree to the Terms of Service and Privacy Policy - UPDATED 10/18/2011 .

Intraday Data provided by SIX Financial Information and subject to terms of use. Historical and current end-of-day data provided by SIX Financial Information. Intraday data delayed per exchange requirements. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. All quotes are in local exchange time. Real time last sale data provided by NASDAQ. More information on NASDAQ traded symbols and their current financial status. Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. SEHK intraday data is provided by SIX Financial Information and is at least 60-minutes delayed. All quotes are in local exchange time.