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Delta flight attendants vote against unionizing

Surprise results give Delta shares a boost

By **Christopher Hinton**, MarketWatch

NEW YORK (MarketWatch) — Flight attendants at Delta Air Lines voted against organizing themselves into a collective bargaining unit, and ended 60 years of unionization at its Northwest Airlines unit, the Association of Flight Attendants said Wednesday.

It was a narrow defeat after a bitter fight, and with a large turnout of voters. Of the more than 20,000 flight attendants working for the Atlanta-based carrier, 9,544 cast their ballots against the union, while 9,216 supported it.

The AFA-CWA said it was “extremely disappointed” by the election, which many had thought the union would clinch. It also accused the airline of heavy-handed intimidation and coercion.

Keeping the out the union may now help Delta management keep its labor costs under control as it struggles to reap greater efficiencies from its 2008 merger with unionized Northwest Airlines.

Delta, the world's second-largest airline, is largely nonunion.

“We urge the AFA to respect our flight attendants’ choice so that we may move quickly to align pay, benefits and work rules and produce a single seniority list,” the company said in a statement.

Shares of Delta (NYSE:DAL) , after being in the red for much of the day, reversed after the announcement and last traded at \$14.30, up more than 3%.



Stocks trade off elections, Fed

Markets everywhere are reacting to yesterday's midterm elections and today's Fed meeting, at which the central bank is widely expected to begin a new round of easing. Donna Kardos Yesalavich, Michael Derby and Eduardo Kaplan report.

AirlineFinancials.com.

The election could be a bellwether for Delta's other labor groups. Some 14,000 baggage handlers are also casting ballots on whether to unionize, and more than 16,000 customer-service agents begin voting next week.

Jerry Glass, a labor expert with F&H Consultants Group, was one of the few experts who expected Delta workers to reject the union.

“Now that the merger has taken place and Northwest sees how Delta operates, they've seen it isn't so bad when there isn't a union,” Glass said.

By avoiding the AFA-CWA, Delta will be able to keep a long-time cost advantage over its more unionized rivals. Organizing could have increased flight-attendant costs by 3% to 5% over the first year, eventually climbing as high as 10%, according to Robert Herbst of

Delta's wage cost for flight attendants as a percentage of operating revenue is now at 2.87%, Herbst said. That compares with budget carrier Southwest Airlines (NYSE:LUV) at 3.84%, Continental Airlines at 3.94% and American Airlines parent AMR Corp. at 3.87%.

But regardless of the vote, Delta and the rest of the airline industry are likely to see climbing labor costs over the next two to three years.

Airline employees saw their hourly wages slashed to 1990s levels after the attacks of Sept. 11, 2001, as the industry tried to right itself. That was followed by record-high fuel prices and the impact of the recession.

Bolstered by two years of bankruptcies and mergers that have improved capacity management, boosted ticket prices and returned the industry to profitability, unions now say it's time to reclaim more of those lost earnings.

For 2010, the International Air Transport Association recently tripled its profit outlook for the industry to \$8.9 billion. For 2011, the forecast is for a industry profit of \$5.3 billion.

Flight attendants at Continental Airlines and United Airlines — now units of United Continental Holdings Inc. (NYSE:UAL) — as well as at American Airlines and US Airways (NYSE:LCC) are currently in contract negotiations.

Support for a union among Delta flight attendants would have been a resounding victory for the AFA-CWA, which tried and failed to organize Delta's cabin crews in 2002 and 2008.

Helping the union this time were new U.S. rules that favor majority voting, overturning a longstanding policy that a majority of an entire labor group must vote on unionization, with absent ballots counted in favor of management.

Labor organizers accused Delta's management in past elections of adding furloughed employees to its flight-attendant roster to stack absent votes in its favor.

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