

Statement by Captain Steve Wallach, Chairman of the United Master Executive Council of the Air Line Pilots Association, Regarding Financial Impact of Possible Merger Between United Airlines and US Airways
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The following is a statement by Captain Steve Wallach, Chairman of the United Master Executive Council of the Air Line Pilots Association:

"We are aware of continued speculation in the media of a possible merger between United Airlines (NASDAQ:UAUA) and US Airways and have serious concerns that the highly-touted financial benefits to be derived from such a merger are unlikely to be achieved because these benefits are based on assumptions that have no basis in reality. We therefore believe that a merger with US Airways should be a last resort and not a first choice for United.

"First, much of the financial benefit of a merger occurs because the merged carrier takes traffic away from other carriers. With United and US Airways unlikely to be the first to fully implement their merger, it is more likely that this 'first to merge benefit' would accrue to a completed Northwest and Delta merger.

"Second, much of the anticipated costs savings from a merger are expected to come from an 'optimization of the fleet' and the integration of operations. Given the current chaotic labor situation at US Airways, this integration and the resulting cost savings are unlikely to occur at any time in the near term, if at all.

"Third, the transaction is touted as providing significant cash to the merged carrier. However, we are concerned that continued high fuel costs and the significant integration costs incurred in a merger could deplete cash reserves before the benefits of the transaction are realized sometime in the future.

"We continue to believe that the 'execution risks' are far greater than assumed. America West and US Airways have been unable to integrate after two and a half years, and there is no solution in sight. In fact, labor conditions at US Airways have worsened. If United and US Airways were to merge, there could not be any integration of operations until ALPA is recertified following a new election, and this could take at least a year. Once recertified, integration of the pilot seniority lists and negotiation of a new agreement will take at a minimum one and a half to two years and conceivably as long as four. Following integration, full fleet optimization likely will take an additional one to two years. In other words, the merger could take as long as six to seven years, and under the best of circumstances, at least four years to complete. During this interim period there would be minimal, if any, cost savings and financial benefits to the merged entity.

"We also believe that it is unrealistic to assume that the merger will receive Department of Justice approval. Nothing has changed since 2001 when the DOJ raised objections, and there are additional concerns over a possible reduction in coast-to-coast competition, especially the Washington, DC to Los Angeles and San Francisco routes.

"We are apparently not alone in recognizing the challenges in a United/US Airways merger. Gary C. Kelly, chief executive of Southwest Airlines, was noted as saying in a published report that he relished the prospect of the two hub-and-spoke carriers cutting back flights to reduce costs and also the likelihood that such a merger could result in a period of operational chaos for the combined airlines.

"Moreover, we believe there are a number of operational issues at United that need to be addressed, and that it is a mistake to sit idly by waiting for a merger to bail us out. We are concerned that for the first quarter of 2008 United trailed its competitors on virtually all key industry indicators: last among large network carriers on load factor, last in generating passenger revenue per available seat mile, last in unit earnings, last in cash flow from operations and second to last on free cash flow per share, last in earnings per share, and, most significantly, last in terms of cash burn. We also find it difficult to understand why United is the only carrier in the industry with no aircraft on order or on option. All these issues require immediate attention.

"As pilots we have a unique perspective and would welcome the opportunity to participate in the strengthening of our airline. We are prepared to speak with management about ideas that are focused on improving United's core business, including expanding our international network, enhancing our strategic alliances, adding 90-100 seat aircraft and other reflecting opportunities, as well as other ways to reduce operating costs to strengthen our airline's stand-alone position. We are proud to be United pilots and want to do all that we can to help our airline retain its stature and leadership position in the industry."

Source: United Chapter, Air Line Pilots Association

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