



MERGER WATCH

The International Association of
Machinists and Aerospace Workers

May 20, 2010

Volume 3, Issue 3

www.goiam.org/mergers

United, Continental Meet with Machinists Union

IAM leaders met this week in Washington, D.C. with senior management representatives from Continental Airlines and United Airlines to discuss their proposed merger's potential impact on pensions, job security and union representation for 26,000 IAM members at both carriers.

Taking part in the meeting were Transportation GVP Robert Roach, Jr., District 141 President Rich Delaney, District 142 President Tom Higginbotham, and staff from the IAM's transportation, legal and strategic resources departments.

The airlines made a joint presentation providing general details that are already publicly available, including their aggressive timeline of events that anticipates operational integration in the first half of 2012. The airlines, however, admitted that the timeline could fluctuate and was not set in stone.

The carriers alleged they do not expect major reductions in front-line employees as a result of the merger, but the IAM insisted that jobs needed to be guaranteed within collective bargaining agreements. Another necessity for job security is a viable and competitive employer, and the IAM needs to be convinced that the business plan for a merged carrier will be successful. The IAM will closely monitor the new carrier's business plan to determine if the merger would create an airline that is too big and unmanageable to succeed.

The Machinists Union made it clear that this merger cannot result in the loss of anyone's seniority, wages or defined benefit pensions. A combined carrier must offer employees more stability and opportunity than two independent airlines.

The Machinists Union pressed for specific details about how the two airlines intend to integrate pensions at a combined carrier. One particular concern was United's termination of their company-sponsored pension plans during bankruptcy and their agreement with the Pension Benefit Guaranty Corporation that prohibits United from sponsoring a single-employer pension plan until 2015.

Continental flight attendants and ground employees participate in Continental's company-sponsored defined benefit pension plan, while IAM-represented United employees earn benefits in the IAM National Pension Plan. United's flight attendants do not have a defined benefit pension plan.

The carriers did not have an answer when asked if all employees would have defined benefit pension plans following a merger. The carriers admitted that harmonizing pensions was a complex issue, and although they had given it much thought, they did not know how it would be resolved at this time. They indicated that the solution to harmonizing the pensions will likely come in negotiations with the unions that obtain representation rights.

The Machinists Union was the only union to successfully negotiate new defined benefit pension plans for United employees in bankruptcy, and that option will be available for IAM-represented employees in negotiations after the merger is completed. The IAM believes all employees deserve traditional pension plans.

The airlines advised that they were creating integration committees, but after the IAM's insistence, agreed that such committees will have no authority over matters that were germane to collective bargaining, such as combining the workforce, integrating seniority, harmonizing pensions, or addressing wage, benefit or work rule disparities. The carriers agreed that such issues cannot be addressed for any particular craft or class until the National Mediation Board rules that the two airlines are operating as a single carrier and union representation issues are resolved for that craft or class.

The Machinists Union advised the carriers that they must work hard to blend the two airlines' vastly different corporate cultures, and the best way to do that is by working with the IAM, which has decades-long relationships with each carrier.

While the airlines did not provide immediate answers to the IAM's questions, the meeting did result in establishing a communications structure between the IAM and the two companies to deal with merger-related issues. The companies agreed to discuss the issues raised by the IAM and respond when they have answers available.