Airline giants Delta and Northwest agree to merger

Naomi Spencer
16 April 2008

In a deal that would create the world's largest airline, on Monday night the executive boards of Delta Air Lines and Northwest Airlines announced their intention to merge, pending federal approval.

The announcement follows weeks of chaos in the industry. Thousands of flights were canceled for unscheduled inspections, prompted by the Federal Aviation Administration's need to appear stricter on safety compliance. Just before the crackdown, agency whistle-blowers revealed that the FAA had helped Southwest airlines to evade vital safety inspections for years. In addition, four smaller airlines—Skybus, Aloha Airlines, ATA, and Frontier—declared bankruptcy or abruptly canceled flights and closed down.

Delta is the third largest carrier in the US; Northwest ranks fifth. Together, the two would overtake American Airlines with combined annual revenue of nearly $32 billion. Under the agreement, the new company would operate under the name Delta, headquartered in Atlanta, Georgia.

Together, the two would dominate air travel in the Southeast and Midwest as well as across both the Pacific and Atlantic. The companies were recently granted anti-trust immunity by the Justice Department to set transatlantic fares with European air carrier Air France-KLM.

Delta has maintained that no hubs of either company would be shut down in the merger, although it has not released details of what level of activity would continue at many airports.

The deal is already prompting moves toward consolidations among rival carriers. If finalized, it will usher in a massive, industry-wide attack on jobs, wages, and benefits for airline workers.

Delta and Northwest officials have carefully skirted questions of job cuts and pension plans. The *Detroit News* reported April 15 that Delta indicated there would be "some job cuts or transfers" for administrative positions, but that it "expects no involuntary furloughs of front-line employees, and the existing pension plans for both companies' employees will be protected."

Such assurances are worth very little considering that the two airlines, currently employing some 89,000 workers, estimate their post-consolidation workforce to number 75,000. This amounts to a staggering 14,000 workers sacked.

This estimate may be an understatement of eventual cuts; during a conference call Tuesday, airlines officials said the proposed agreement would take until 2012 to realize its target $1 billion in annual savings, even precluding drastic fuel price rises in the coming years.

Delta, which has been cutting employee costs for the past several years, has especially stressed that it will protect "existing pension plans." When the company declared bankruptcy in 2005, employees were subjected to deep pay cuts and saw their pension plans eliminated. Only three weeks before the merger agreement, Delta announced it intended to cut 2,000 jobs.

The merger will open the possibility of dissolving flight attendant unions for both companies. The *Atlanta Journal-Constitution* noted that Delta flight attendants will have two votes for union representation, one in April, and the other as a combined vote with the Northwest workforce. If the vote fails, "the Northwest contract instantly will be dissolved, and the workforce will go on without protections."

Such a situation would enable wholesale gutting of wages and benefits and replacement of senior flight attendants with new workers, including foreign workers on overseas flights, a policy Northwest attempted to introduce two years ago.

As Standard & Poor's analyst Philip Baggaley told the Associated Press Tuesday, Delta was staging a "delicate balancing act" over its job guarantees, when "almost

© World Socialist Web Site

everyone agrees that one of the few ways that US airlines can return to profitability would be to reduce the amount of capacity" in the market.

Pilots at Northwest are particularly opposed to the move because of likely pay cuts and route downgrades based on seniority ranking that would favor Delta pilots. While the Northwest pilots union has threatened to make the merger more difficult without its support, the bureaucracy has made it clear they are willing to negotiate for perks. At Delta, the pilots' union leadership struck a deal with corporate management Monday—without consulting the rank-and-file—in which the union would get a 3.5 percent equity stake in the new company.

The unions have played an absolutely critical role in the rationalization of the airline industry, helping to impose one round of concessions and givebacks after another on the workforce.

Cost-cutting and "structural readjustment" across the industry will also translate into sharply higher fares, reduced flights, and worsening conditions for the traveling public. As higher fuel prices and deepening recession threaten to shave profit margins, the industry sees further monopolization as a means to ruthlessly jack up prices, at less cost to the companies.

In fact, the proposal has already sparked merger negotiations between United and Continental, the second- and fourth-largest US airlines. Their consolidation would instantly overtake Delta-Northwest's combined operations, and would undoubtedly result in the shedding of tens of thousands more jobs, still higher fares, and further deterioration of conditions for workers and passengers alike. Industry analysts expect that American Airlines will seek a partnership in turn.

As Reuters news agency noted April 14, "After racking up $35 billion in losses and finally emerging from a five-year slump in 2006, US airlines are hoping that mergers could lead to higher fares as combined carriers reduce flights and use their increased market power to raise prices."

And as the *Wall Street Journal* put it April 15, "The thinking is that fewer, larger airlines would enjoy better pricing power, be able to cut marginal routes and seats and expand their international reach, a way of attracting more high yielding business travelers and boosting revenues."

While the Delta-Northwest proposal has been discussed by the companies for at least two years, it is now being rushed through before the end of the Bush administration in January. According to one airline official familiar with the merger talks who spoke on condition of anonymity to the *New York Times* Monday night, the airlines may try to close the deal within the next 30 days.

The Justice Department is almost certain to approve the deal. A handful of congressional Democrats have issued statements warning of job cuts and the loss of transportation links to regions of the Midwest, although technically Congress cannot block a merger. In fact, were the Democrats in office, the merger would undoubtedly pass, albeit with marginal pledges to unions or consumer groups and solemn intonations about "economic realities" and "remaining internationally competitive."

Indeed, it was under sponsorship of key Democrats such as Massachusetts Senator Edward Kennedy, during the Democratic administration of Jimmy Carter, that the trend of deregulation and so-called "free market" reforms was introduced. In 1977, an aggressive proponent of deregulation, Alfred Kahn, was appointed to head the federal Civil Aeronautics Board. The CAB was instituted as part of the post-Depression reforms that prevented the formation of cartels, super-exploitation of workers, and gouging of the population in areas of vital social infrastructure.

In 1978, the Carter administration enacted a law sponsored by Kennedy that eliminated CAB authority over pricing and routes. The industry immediately undertook a campaign to smash airline workers' unions and drive down wages and cut jobs, and within a few years the CAB itself was dissolved.

This assault, beginning with the firing of thousands of striking PATCO air traffic controllers in 1981, continued throughout the 1980s and 1990s and into the current decade, affecting every major carrier. In 2005, Northwest provoked a strike by airline mechanics and then used strikebreakers to crush the union.

Competition between rival carriers precipitated bankruptcies, mergers, and acquisitions over the past three decades—leading to the closures of Pan American, TWA, Eastern and other major airlines—and resulted in tens of thousands of job and pension cuts, an immense increase in the workloads of employees, and the deterioration of flight safety and quality. With the industry again entering a major contraction, all of these trends will intensify.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site