

# Thousands of jobs threatened in British Airways-Iberia merger

Marcus Morgan  
2 December 2009

The jobs, wages and working conditions of thousands of airline workers are under threat due to proposals to merge the British Airways and Spanish carrier Iberia airlines.

Negotiations have been underway between the two companies since at least July 2008, but a preliminary agreement has been reached whereby they will merge to form the world's sixth largest airline and Europe's third largest by the end of 2010. Details are to be finalised by next February. This would leave the new company trailing only Lufthansa and Air France-KLM in the European market.

The European Commission must still approve the merger but if it goes ahead the new company will be 56 percent owned by BA and 44 percent by Iberia. Potentially it will then own a fleet of 419 aircraft and fly to 205 destinations worldwide. As BA already owns 13.5 percent of Iberia, it will become the dominant partner with the financial headquarters based in London. Taken together, BA and Iberia carry over 60 million passengers a year and have a workforce of over 60,000 employees.

In the last year both airlines have suffered heavy financial losses. The merger is part of a wider effort to force down costs and restore profitability in the global airline business. This will involve further attacks against wages and widespread job losses in an industry that has already witnessed bitter struggles in recent months.

Profits have been falling for major operators because of fewer passengers, less cargo from reduced exports, rising costs despite heavy subsidies and fierce competition from short-haul carriers. Both companies have revealed dismal performances for 2009. BA lost £292 million in the first half of 2009, while Iberia lost

£162 million. The International Air Transport Association predicts a global industry loss of \$11 billion this year.

The most significant concern for Iberia is the BA pension fund deficit, one of the highest in the UK, at close to £3 billion. The Spanish firm has a get-out clause by which the deal is conditional upon resolving the dispute between BA's board of trustees and the Occupational Pensioners' Alliance (OPA), which represents retirees concerned over the security of pensions.

Iberia has admitted that it may pull out if the pension issue becomes "materially detrimental to the economic premises of the proposed merger". BA has responded by assuring Iberia that it will put a freeze on fund contributions. This year alone BA has already waived £330 million from the pension fund to the continuing detriment of the workforce. The OPA, which currently represents two million pension fund members, has requested BA appoint an independent chairman to its board of trustees over concerns of a conflict of interest in the dispute. They are calling for a change to existing legislation so that the funds can be presided over by more independent trustees.

The current BA chairman of trustees is Roger Maynard, who is also the director of investments and alliances. The OPA has highlighted that his position may be biased in favour of BA going into talks on closing the funding shortfall. Roger Turner, executive director of the OPA, said, "Mr Maynard is a company director who has been closely concerned with the tie-up with Iberia and cannot, therefore, be seen as someone who can at the same time represent the interests of all the scheme's members and also those of the company. It is totally unreasonable to believe otherwise."

The pension funds will be one of the principle victims

in efforts by the companies to reduce costs by an admitted £357 million within five years. The real amount to be slashed is probably much higher, as the target is less than BA's pre-tax loss for 2009 alone.

BA chief executive Willie Walsh has admitted that jobs could be lost after the merger, offering little consolation with his statement, saying, "I don't think staff will be worried, consolidation is part of our industry." This news comes on top of a series of multi-million pound cost cutting exercises from BA in the last six months totalling £400 million. These included a pay cut for BA's pilots and placing staff on to part-time shifts. One thousand workers are now being asked to take voluntary redundancy.

Walsh has proposed a two-year pay freeze for crew, a plan to reduce holidays, reductions in allowances given for working on long-haul flights, reducing cabin crew on aircraft by one per flight and new recruits to be paid less. According to a report in *The Times*, cuts are also likely at the head offices in London and Madrid, the merged sales forces and maintenance facilities.

Iberia has already stated it plans to reduce its costs by introducing a hiring freeze until 2012 and early retirement for cabin crew over 55.

The hostility of workers to cuts already made and those planned has forced the Unite union to ballot 14,000 crew members for a strike at BA. Iberia workers are also fiercely resistant to attempts to slash their wages and working conditions, with similar industrial action planned. The opposition of workers, however, can find no genuine expression through the unions, which have repeatedly accepted wage and benefit concessions and the loss of thousands of jobs.

The merger plans have also drawn criticism that the companies are heading towards a monopolisation of the market, especially considering BA's ambition to forge a partnership with American Airlines that would enable a greater control over fare and scheduling on transatlantic flights. BA's chief rival Virgin Atlantic complained, "The BA/Iberia merger will increase BA's dominance at Heathrow with 44 percent of take-off and landing slots this winter, it is impossible for any other airline to replicate their scale."

The Spanish daily *El Mundo* commented on the plans, "Regrettably, after massive aid from the state, Iberia has ended up under British control, but there was probably no better choice in an increasingly globalised

world."

There is a progressive alternative to the seemingly unending assaults on the wages and living standards of working people, including airline workers. By bringing the massive airline corporations under democratic ownership and control, they can be run in the interests of society as a whole and not the corporate heads.



To contact the WSWWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**