American, US Airways approve $11 billion merger

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American Airlines and US Airways formally announced the merger of the two companies on Thursday, a move that will create the world's largest airline. The proposed deal will leave only three full-service carriers in the US with transoceanic routes, in addition to a network of smaller domestic carriers.

The new entity, which will retain the American Airlines brand and its headquarters in Fort Worth, Texas, will have a market value of about $11 billion. US Airways and American's parent company AMR Corp. aim to complete the merger by the third quarter of this year. US Airways chief executive Doug Parker will run the combined company as CEO, while AMR chief Tom Horton will serve as nonexecutive board chairman until next year.

This is the latest in a series of mergers that has consolidated the US airline industry into a handful of companies, while attacking the jobs, wages and benefits of workers. AMR filed for bankruptcy in 2011. The merger must be approved by the bankruptcy court, federal regulators and shareholders of Tempe, Arizona-based US Airways. It would allow AMR to exit bankruptcy.

The merged, mega-airline will offer more than 6,700 flights daily to 336 destinations in 56 countries, and is projected to have annual revenues of about $39 billion, based on 2012 figures, putting it ahead of United-Continental, which had revenues of about $37 billion in 2012.

Future CEO Parker stated, "This merger will create a stronger company, with the path to improved compensation and benefits and greater long-term opportunities for all our employees." Such claims should be viewed by airline workers with the utmost suspicion. The merged company is targeting $1 billion in annual cost savings and other "efficiencies" by 2015.

The jobs and conditions of the two airlines' present workforces—some 62,000 at American and 31,000 at US Airways—will be on the chopping block. AMR chief Horton admitted that there would be some overlap of functions among the two carriers' workforces, telling the *Wall Street Journal*, "We'll go about right sizing."

Unions representing pilots, flight attendants and ground service workers at the two carriers have indicated their support for the merger, while the machinists' union has said its contract renewals must be completed before it supports the deal.

Since the deregulation of the airline industry in 1978, the "legacy" carriers have utilized mergers and the bankruptcy courts to reorganize their operations on the backs of workers, while the airlines have raked in record profits, and executives have amassed record compensation or negotiated golden parachute deals.

In the wake of the 9/11 terror attacks, which saw an initial decline in air travel and a rise in security costs, the airlines have continued to raise ticket prices and cut service—at the same time enlisting the cooperation of the unions representing airline workers in slashing jobs, attacking wages and benefits, and raiding workers' pension funds.

Since 2005, five of the ten largest US air carriers have been swept up in a wave of consolidations, often involving bankruptcy proceedings. Over the past decade United, Delta and US Airways filed for Chapter 11 bankruptcy. Delta merged with Northwest to form Delta Air Lines Inc., and United paired up with Continental to create United Continental Holdings Inc.

US Airways entered Chapter 11 bankruptcy in August 2002. In January 2005, a federal bankruptcy judge voided the contracts covering more than 8,500 mechanics, baggage handlers and other fleet workers at the airline, paving the way for thousands of job cuts and pay and benefit cuts ranging from 6 to 35 percent. More than 53,000 US Airways workers and retirees also saw their pensions terminated by the bankruptcy judge.

A federal bankruptcy judge ruled in May 2005 that United Airlines could default on its pension obligation to 122,000 workers and retirees. It is likely that the bankruptcy judge at American will oversee similar attacks on the wages and benefits of American workers as part of the deal to release the AMR from bankruptcy in connection with its merger with US Airways.

However, the merger of American, the third-largest airline, with US Airways, No. 5, is expected to provide initial new revenues of about $900 million for the consolidated airline. "This is really terrific for both companies," analyst Helane Becker of Dahlman Rose & Co. told *Bloomberg Businessweek*. "When American went into Chapter 11, Doug [Parker] saw his chance to grow US Airways and to finish the consolidation that really started several years ago."

Parker has made a career of attempted mergers and acquisitions. He has pursued American since the airline sought bankruptcy protection on November 29, 2011. As CEO at America West, he merged what was once the eighth-biggest US carrier with US Airways. Over the past six years, Parker failed in a bid to buy Delta and in two efforts at a United Airlines merger.

The future CEO of the new, merged American Airlines has been well compensated for his efforts, with a total compensation for fiscal year 2011 calculated at $3,824,762, including $550,000 in salary at US Airways, plus stock options and other short and long-term compensation.

AMR's Horton initially pushed for American to emerge from bankruptcy as a stand-alone carrier, but ultimately came around to Parker's view. As CEO and president at AMR Corp., Horton's total compensation package was calculated at $4,182,000 for fiscal year 2011.