



MERGER WATCH

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Airline Consolidation Rumors Take Flight

On the heels of a single article that quoted an unnamed source about the prospect of additional mergers in the airline industry, US Airways stock surged as much as 26 percent in after hours trading and UAL stock jumped by eight percent.

In a subsequent article by Ted Reed published in TheStreet.com, IAM Transportation General Vice President Robert Roach, Jr., questioned the motivation behind the latest consolidation rumors. "This could be speculators pushing up the price of the stock, or it could be a ploy to get Continental to make a move on United," said Roach, who noted the code sharing and anti-trust immunity arrangements between United and Continental.

If a United-US Airways merger ever gained traction, it would not be the first time such a pairing was attempted. A \$4.3 billion deal in 2000 was shot down after opposition from the Machinists Union and the U.S Justice Department, and merger talks in 2008 ended unsuccessfully after several months.

"If there were only two airlines left in the country, I am sure they would be complaining about too much competition and trying to merge," said IAM International President Tom Buffenbarger.

Airline executives and industry analysts generally favor additional consolidation as a heavy handed means to reduce capacity and increase ticket prices. Passengers, communities and airline employees are generally less enthusiastic mergers, having already witnessed the layoffs, service cuts and higher prices that typically follow corporate mergers.

"The IAM is understandably skeptical of the so-called synergies, efficiencies and other benefits touted by airline executives," said Roach. "Our interest and our resources are focused exclusively on protecting the welfare of our members and our potential members in this turbulent industry. The IAM Transportation Merger Team, established in 2006, continues to monitor all potential pairings and how they might affect our membership."