



UNITED AIRLINES PROMISES TO ORDER 100 NEW PLANES IF PILOTS' UNION CAVES

News / Airlines



United Airlines plans to order a fleet of **100**-seat jetliners from either **Bombardier Inc.** or **Embraer SA** if it can agree on terms for a two-year contract extension with pilots in expedited bargaining.

Reaching a deal would assure labor peace with a crucial **union** for new Chief Executive Officer Oscar Munoz and bring back some flying now done by regional partners with cramped, less-efficient 50-seat planes. For Bombardier or Embraer, a sale to United would be a significant victory as they try to place their biggest narrow-body models at the largest U.S. carriers.

“This time of senior leadership change is a unique opportunity for us,” United Senior Vice President Douglas McKeen wrote in an Oct. 2 letter to union chief Jay Heppner, in a reference to Munoz’s hiring last month after the ouster of predecessor Jeff Smisek. McKeen proposed capping the talks at 45 days.

An airline spokeswoman, Megan McCarthy, confirmed the overture but declined to discuss the possible negotiating terms at the unit of United Continental Holdings Inc. Dave Kelly, a spokesman for United’s chapter of the Air Line Pilots Association, said: “We cannot discuss offers or proposals.”

United, buoyed by an upbeat investor update on third- quarter profit, rose 7.1 percent to \$55.97 at 10:26 a.m. in New York. Bombardier also advanced, as did the American depository receipts for

Brazil's Embraer.

Buying new 100-seat planes for mainline flying would be a lure for pilots, because it would generate jobs and appeal to their interest in cutting-edge aircraft — an affinity jokingly referred to in the industry as “shiny jet syndrome.”

Contract Linkage

Bombardier and Embraer are both mentioned in a clause in United's current contract: Taking their largest new narrow-body airliners, the CSeries and E2, would allow United to also add more larger regional planes in 2016 to replace the 50-seaters. McKeen wrote that any contract extension “will also include a firm order” of new, small narrow-bodies. He didn't identify a manufacturer.

Messages left for Bombardier and Embraer spokeswomen weren't immediately returned.

United has struggled to reach unified labor agreements since the 2010 merger between former United parent UAL Corp. and Continental Airlines. Flight attendants, for example, still work under contracts for the predecessor companies. Pilots have such an accord, so an extension would let Munoz's team focus on trying to reach breakthroughs with attendants and mechanics.

The pilot talks carry high stakes for Bombardier, which is seeking to end an order drought dating to September 2014 for its marquee CSeries aircraft. The CSeries has been shut out among major carriers in North America, the world's largest aviation market, while Embraer has made inroads.

Delta's Reverse

Offering a pay raise and a sleek new aircraft isn't unusual, but the gambit doesn't guarantee success. In July, Delta Air Lines Inc. abandoned plans to add \$4 billion of Boeing Co. and Embraer jets after pilots rejected an expedited contract proposal.

In an Oct. 6 letter to United pilots, Heppner said a resolution exploring early negotiations failed by one vote in a September meeting of the union's master executive committee. Opening discussions for a new contract now aren't slated until May 2016 at the earliest, he said.

“The question today distills down to: do we fix a few items in the current contract with a short extension, or do we go about fixing lots of items sometime in the future?” Heppner wrote. Conventional bargaining without the 45-day timeline could take years, he wrote.

If the two sides can't agree within 45 days, they could mutually agree to extend the talks, United's McKeen wrote. As framed by McKeen, the discussions would be limited to a short list of issues involving compensation, benefits and work rules. The provisions include expanding the carrier's ability to make more ultra long-range flights with its Boeing 787-9 Dreamliners.

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