AIR TRANSPORT

US union

unrest

threatens

mergers
WASHINGTON D.C.

Labour unrest at TWA and
Eastern Air Lines could upset
new merger plans under
consideration by both
airlines.

At TWA, amid rumours
that a take-over of Ozark
Airlines may be imminent,
flight attendants are threat-
ening to walk out in protest
over pay and working condi-
tions. TWA said last week
that, if this happened, it
would hire as many as three
thousand new stewards and
stewardesses to keep the
airline flying.

At Eastern a flight atten-
dant strike has been threat-
ening, but any action is not
expected seriously to set back
the announced takeover of
Eastern by Frank Lorenzo's
Texas Air Corp.
Full details of that takeover
have yet to be announced, but
the offer by Lorenzo is
expected to centre around $10
in cash or stock for each
Eastern share. In the interim
there are reports that other
airlines are also interested
in making an offer for
Eastern, but none as yet has
come forth publicly with such
an offer.

Eastern's unions, which
fought the airline manage-
ment's cost-cutting efforts
every step of the way, may of
course be facing an even
tougher task-master in Frank
Lorenzo. Lorenzo is reviled by
organised labour, and in the
case of an attempted takeover
of TWA by Lorenzo, the
unions were able to turn the
tables on him and arrange for
the airline to be taken over by
New York financier Carl
Icahn, whom they disliked
less.

Since last December
Eastern has been in almost
continuous negotiation with
its unions in an effort to cut
its costs by at least $400
million during 1986, and thus
avoid a major financial crisis.
But as the financial crisis
actually intensified last week,
the International Association
of Machinists, representing

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Eastern has problems with unions and solvency. Is it going to land or take off?

12,000 Eastern mechanics and
other workers, said it would be
willing to discuss this contract
but not to grant concessions
unilaterally.
In the meantime, the banks
and other lenders which hold
$2 • 5 billion of Eastern's debt
are impatiently awaiting some
solution to the Eastern crisis.
• The chief US Federal Drug
Enforcer has said that 35 or
more Eastern Air Lines work-
ers, most of them baggage
handlers and mechanics based
in Miami, face indictment for
helping to smuggle very large
shipments of cocaine past
Miami customs.

The "Feds" have been on
Eastern's back over drug
smuggling since 1984, when
US customs agents seized an
Eastern TriStar after finding
drugs on 22 earlier flights.
Last summer customs

agents discovered 1,7221b of
cocaine in suitcases hidden
behind air conditioning
panels in the baggage
compartments of two Eastern
jets.
Eastern was fined $1 • 3
million, and the resulting
investigation apparently
developed informants who
reported that the drug smug-
gling racket has been oper-
ating since 1981, and has
bought in about 20 shipments,
some weighing nearly 1,0001b,
since 1985. The smugglers
apparently conspired with
Eastern's baggage handlers to
bypass security.

Japan's carriers find expansion finance
TOKYO

Japan's Export-Import Bank
has offered a highly attractive
loan package to the nation's
airlines for their current
round of re-equipment.
The bank is lending $522
million to the three major
carriers at special low rates of
interest for this year's
purchases and has indicated
that it will be prepared to offer
similar terms in future. The
news has been welcomed by
Japan Air Lines (JAL), All
Nippon Airways (ANA), and
Toa Domestic Airlines
(TDA), which have all begun
major re-equipment program-
mes. JAL will invest $2,400
million in its fleet in the next
four years (Flight, November
16,1985, page 22) and ANA is
expected to place an order for
10-20 short-haul aircraft

worth up to $800 million in
the second half of 1986. TDA
also wants new short-haul and
long-haul aircraft.

ANA will require its new
aircraft by 1989 to replace a
14-strong fleet of 737-200s
used on domestic services.
Sources in Tokyo say the
leading contender is the
737-300, although Japan's
foreign ministry is understood

to be pressing for an Airbus
purchase to ease the trade
deficit with Europe.
TDA is considering aircraft
for both domestic and inter-
national routes following
signs that the Government
will allow it to compete with
Japan's other carriers on a
broader front. TDA plans to
buy five aircraft for use on an
expanded domestic trunk
network and two long-haul
aircraft for the launch of its
first internationl flights.
The A300, of which TDA
already operates ten, will
probably meet the domestic
requirement, while the airline
is looking at both the A340
and MD-11 for use on trans-
Pacific routes. TDA has
applied to launch Tokyo-
Honolulu services later this
year and should it receive the
go-ahead, it will lease in
equipment before introducing
its own aircraft at the turn of
the decade.

In the current year Japan's
Exim Bank allocated $294
million to Japan Air Lines to
buy three 747s, $194 million
to ANA for two 747s, and $34
million to TDA for an A300.
The special loans cover 80 per
cent of the total cost with an-
nual interest of 6 • 2 per cent.

FLIGHT INTERNATIONAL, 8 March 1986