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UAL hoping for cost savings with Continental deal

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FROM THE ASSOCIATED PRESS

United Airlines could take its partnership with Continental Airlines deeper by joining up on things such as fuel purchasing and consolidating ticket counters, UAL Corp. Chairman and Chief Executive Glenn Tilton said on Thursday.

A team made up of three top people at both airlines, including the CEOs, has already met three times to explore some cost-saving measures they could both take, he said.

Whether ground handling, fuel servicing, de-icing, catering, all of that affords an opportunity, Tilton said after a meeting of the CEOs in the 21-member Star Alliance. Not all of it's going to be realized. But all of that forms the basis of a conversation, he said.

Such measures could end up saving the airlines a significant portion of the money they would have saved if they had merged, he said. The two had serious discussions in the spring but no combination came of it.

Airline teams like the Star Alliance sell seats and allow frequent fliers to earn and redeem miles on each other's flights. In addition, Continental Airlines Inc. and UAL Corp.'s United are also seeking antitrust approval for a trans-Atlantic joint venture that would allow them to share revenue in an arrangement that would also include Lufthansa and Air Canada.

Such arrangements need antitrust approval because airlines that used to compete on price on some routes end up coordinating prices and sharing the money -- exactly the sort of thing that antitrust laws are supposed to fight.

Airlines argue that it helps travelers because they get a wider selection of flights and can more easily switch between carriers on long trips that might originate on one airline and end on a different one.

United and Continental would still compete on domestic U.S. service. And Tilton said their discussions about cost-saving measures in the U.S. would stay away from anything close to what he called the "bright line of pricing."

If the U.S. antitrust approval comes through, Continental would leave the SkyTeam alliance and join Star Alliance, probably late in 2009, Star CEO Jaan Albrecht said on Thursday.

Tilton said cost-savings discussions would not start in earnest until then. He said his managers at individual airports are eager to get started. When he asks them whether they could work with the managers at Continental to find cost savings if it was legally permissible, "I have not yet heard one manager say 'No.' All they really want to know is 'When can I talk to them?'"

Such arrangements are legally tricky but can be permissible if they're done right, said Ted Bolema, a former Justice Department antitrust attorney and now a principal at Anderson

Economic Group. He said companies can ask the Department of Justice to review such plans beforehand, although the Department is not obligated to provide an opinion.

Star Alliance is getting bigger with or without Continental. On Thursday its member CEOs voted to add Brussels Airlines, a small Belgian airline with 300 daily flights, about one-tenth of United's schedule. In September Lufthansa bought a 45-percent equity stake, with an option for the rest in 2011.

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