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Delta-Northwest Merger's Long and Complex Path

By JAD MOUAWAD

ATLANTA — How many chimes should pilots ring to signal the plane is about to land — two or four?

Should flight attendants first pour drinks into a cup or just hand over the can?

Airline mergers are complex and tough to pull off — witness the troubled marriage of People Express and Continental Airlines in the 1980s or the continuing problems in integrating America West and US Airways six years after their merger. So when [Delta Air Lines](#) acquired [Northwest](#) three years ago, executives knew they would have to resolve major labor, technology and financial issues.

What they had not fully anticipated were the thousands of tiny details that go mostly unnoticed by passengers but can make the difference between a successful merger and a failed one.

All airlines have their own way of doing things, developed over time and through labor negotiations. All have specific working rules, flying procedures, maintenance schedules and computer programs. And all have their own cultures. Delta always thought of itself as the gracious host. Hence its flight attendants poured the requested drinks. Northwest was the practical carrier; its attendants just handed over the can.

“It was like Noah’s ark out here,” said Peter Wilander, an executive at Delta responsible for in-flight

services. "We had two of everything."

Delta executives agreed earlier this month to discuss the minutiae of the Northwest merger to make the broader point that combining two airlines is an incredibly difficult task. The Delta-Northwest tie-up is now widely seen as a success, and that view laid the groundwork for two other, more recent mergers: United Airlines with Continental last fall and Southwest Airlines and AirTran, which was completed just last week.

"If you look at the history of mergers, the assumption was that you couldn't do them successfully," said Richard Anderson, Delta's chief executive. "Everybody had come to the conclusion that these things are too big, too complex and too unwieldy to manage."

Delta's merger with Northwest was announced in April 2008 and closed in October of that year after receiving regulatory and shareholder approval. And yet it still took 14 more months for the airlines to fly as a single carrier, in January 2010.

Delta scored a major point by getting its pilot unions to agree to a common contract by the time the merger closed. Many analysts said this gave the airline a critical advantage by getting a crucial labor group on board from the start.

But that did not put an end to Delta's labor issues. Flight attendant representatives accused the airline of using intimidation tactics after they lost a bid to unionize the carrier's work force in November. The matter is under review by the National Mediation Board, which could call a new election.

Meanwhile, flight attendants from Delta and Northwest continue to work under separate contracts, each with their own work rules, and they cannot be scheduled to fly on the same airplanes.

And some merger-related work is still going on. The last Northwest plane was repainted only six weeks ago. Delta expects to spend another year completing an inventory of all airplane parts and maintenance procedures into a new database.

Each airline has hundreds of different technologies that book seats, print tickets or dispatch crews that need to be integrated. Failure here can leave thousands of travelers without a seat if bookings are misplaced.

Delta's chief information officer, Theresa Wise, said the airline had to merge 1,199 computer systems down to about 600, including one — a component within the airline's reservation system — dating from 1966.

The challenge, she said, was to switch the systems progressively so that passengers would not notice. Ms. Wise, who has a doctorate in applied mathematics, devised a low-tech solution: she set up a timeline of the steps that had to be performed by pinning colored Post-it notes on the wall of a conference room.

A major switch happened when the new airline canceled all Northwest's bookings and transferred them to newly created Delta flights in January 2010. It required computer engineers to perform 8,856 separate steps stretched out over several days.

More than 140,000 electronic devices, including printers, had to be replaced. The size of the paper at airport kiosks was even checked to make sure it could print boarding passes for Delta's new flights.

"This sounds insane," Ms. Wise said. "But each reservation system has its own personality."

Financially, the merger provided a big boost to Delta's bottom line. Delta posted its highest profit in a decade last year. But even as the integration into a single carrier was hitting its stride, Delta's operations struggled.

The airline had the worst record among large carriers for on-time arrivals last year, and it accounted for a third of all customer complaints, the worst of any airline, for categories like service and lost bags, according to the Transportation Department.

When United and Continental announced their own tie-up, in May 2010, they picked a hybrid

approach to emphasize that the combination was a merger of equals: the new airline would keep its headquarters in Chicago but would be led by Jeff Smisek, Continental's chairman, who was a driving force behind the merger. The carrier's new livery combines Continental's globe on the tail with United's name on the fuselage.

United and Continental continue to operate as separate airlines until they receive a single operating certificate from the Federal Aviation Administration by the end of the year. At that point, the new United will overtake Delta as the nation's largest carrier.

Unlike Delta, however, United has not secured a new contract for all its pilots yet, some of whom recently picketed in front of nine major airports across the country, including Los Angeles International Airport. Mr. Smisek said during a recent conference call that the airline had made some progress in the merger. Passengers can now print boarding passes from either airline at all United and Continental kiosks, and loyalty programs are getting more closely aligned.

"I remain committed to reaching agreements that are fair to our co-workers and fair to the company," Mr. Smisek said on the call. "And I want to reach those agreements promptly."

Likewise, Southwest closed the purchase of AirTran on May 2, and quickly appointed a new leadership team to handle the combination.

"All good things take time and change won't be immediate, many important decisions are ahead, many questions still need answers," Gary Kelly, the chief executive of Southwest, said in a video statement after the deal closed. "Once integration is complete, we will have one brand, one customer experience, one livery, one operation under a single operating certificate and one mission."

If Delta's experience is any indication, it will be a long road for Southwest and United, littered with seemingly trivial questions.

Pilots at Delta, for instance, used to ring the cabin bell four times as they began their final approach, while those at Northwest rang it twice. The merged airline now signals just two times.

Likewise, the food catering operations of both airlines had 8,000 pages of one-line codes describing everything from soda orders to the price of strawberries. Each airline had different codes, however, and paid different prices for everything.

No decision, seemingly, was too small. Before the merger, Delta used to cut its limes in 10 slices while Northwest cut them 16 ways. The lime debate was even mentioned at a meeting attended by Mr. Anderson, the chief executive, who was told it saved Northwest about \$500,000 a year. In the end, Delta stuck with its 10 slices. But the airline also realized that it had been loading more limes on its flights than it needed. So it is now carrying fewer limes.

Delta, based in Atlanta, used to serve the hometown drink, Coke. Northwest, Pepsi. "That was an easy one," Mr. Anderson recalled. The airline stuck with Coke but adopted Pepsi snacks.

One other issue has apparently stumped everyone. Delta and Northwest each used different trash bags in their cabins. Northwest's was large, held up better and was easy to use. Delta's was smaller, like a high-end shopping bag. The airline is still working on finding the perfect bag.

"The amount of work is boring beyond belief," Mr. Wilander said. "It is also critical to the airline."



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