United Airlines said yesterday that it was impossible to resurrect its deal to buy Frontier Airlines.

The news made it even more likely that Frontier would file for bankruptcy protection, a fate that has been delayed day by day as the airline's parent, People Express, tried desperately to find a new buyer for the Denver-based carrier.

Yesterday morning, a People Express spokesman announced that the filing would take place by the end of the day. But in the evening, People said the bankruptcy filing was being deferred. Several sources close to People said that the filing should take place today.

United had agreed to buy Frontier for $146 million last month, but it said in a statement yesterday that "the airline we attempted to purchase does not exist anymore." United Cites 'Damage'

It added: "We believe it is impossible to resurrect this deal after the damage done by these delays and the results of the closure of Frontier Airlines."

Frontier suspended its operations on Sunday, inconveniencing tens of thousands of travelers and making it uncertain whether travel agents would book passengers on the airline if it ever tried to resume operations.

United and People Express tried to restructure their agreement. But in its statement United said that People's suggestions, by including liabilities which "had the potential of increasing the purchase prices beyond the $146 million agreement," had made the sale even less attractive to United.

People lowered the price considerably, sources close to the negotiations said, but it may have asked United to take on potentially heavy costs.

The issue that brought the deal down was a dispute between United and its pilots over how quickly Frontier's pilots would move up to the same pay scales as United pilots after a takeover. The sale was contingent on agreements being worked out on wages and benefits for Frontier employees. The Air Line Pilots Association was the most important of the five unions involved.

Roger Hall, the chairman of A.L.P.A.'s United unit, said in a statement yesterday afternoon that Frontier's expected filing was "a tragedy that could have been avoided if United Airlines management had not stalled pilot negotiations." 'Taken the Life of Frontier' He said that United's unwillingness to negotiate seriously "has now taken the life of Frontier Airlines and the livelihood of its 4,700 employees."

For Frontier, a bankruptcy filing would mark the demise of the 40-year-old carrier, which has its operations at Denver's Stapleton International Airport, and would bring harder times for its 4,700 workers. Some Frontier are likely to be absorbed by the expected expansion of United and Continental in Denver.

For People Express, a filing would mean that it will seal off a cash drain from Frontier, which ran at a rate of about $10 million a month after People acquired Frontier last November. During a reorganization, Frontier would be protected from creditors, and since the airline is not operating, its current costs are low.

The filing would also mean, however, that People will not collect about $90 million that had been due from United Airlines as part of the sale. People had been counting on building up its cash with the payment to get through its slack winter months and to finance its new strategy of becoming a full-service carrier. Partial Payment Made

People Express has already collected about $58 million from United in return for some of the best assets of Frontier, including gates, landing and take-off slots, hangars and planes.

People had sought to have United carry out its original agreement. There were repeated attempts in the last few days to get the negotiations going again and to salvage some form of Frontier.

One of the latest such efforts was a meeting yesterday by 27 members of the Master Executive Council at United of the pilots' union, union sources said. The council represents United's 6,435 pilots, who struck for 29 days last year to prevent United from gaining a two-tier pay scale under which new pilots are hired at much lower wages. United did start a two-tier pay system, but both sides agreed that a Federal mediator would decide in 1990 whether that system would become permanent.

Two-Tier Scale Opposed

United's pilots have been concerned that if about 600 lower-paid Frontier pilots were to become part of United, they would form a group with lower pay and set a precedent for a two-tier pay scale. The pilots' negotiators, therefore, wanted the Frontier pilots to be raised to the pay levels of United pilots as quickly as possible.

United, on the other hand, wanted five years to elapse before the two groups achieved parity. The United pilots were afraid that such a long period would entrench the two-tier pay scale, giving United a precedent to use in contract negotiations next year. Neither the executives of People Express nor the union leaders at Frontier had much influence in the outcome of Frontier's sale to United.

"We see ourselves as a tennis ball, and we are batted from one court to another and we're not even in the game," said Richard C. Kardell, chairman of the Frontier merger committee, which represents most of the airline's major unions.

Search for New Offers

According to a source involved in the negotiations, when it became clear this week that there was little chance for an agreement with United, there was some hope that two other airlines would buy all or part of the carrier. The source said that neither airline had made an acceptable offer.

The collapse of Frontier, which has been shut down since last Sunday, would benefit Denver's two remaining major carriers, United and Continental.

"They will fill the vacuum," Robert Joedicke, an airline analyst for Shearson Lehman said in an interview. He said that the intense fare wars in Denver would moderate. Discount fares would still be available, he added, but there would be more restrictions and the number of seats sold at lower fares would be more carefully controlled. The net effect, he said, would be that business travelers and others who cannot buy tickets far in advance could expect to pay higher fares.

A failure of Frontier, however, would have wider implications as part of the trend for weaker airlines to go under or merge with a stronger carrier.

The trend, Mr. Joedicke said, is toward an industry that will resemble an oligopoly where a few huge, strong carriers dominate the rest. Such a structure, he added, was not what the founders of deregulation, which went into effect in 1978, had in mind. "The strong are getting stronger," he explained, "and the weak, weaker."

-https://www.nytimes.com/1986/08/28/business/company-news-frontier-deal-is-off-united-air-declares.html (12/17/21)