

# Trump to Buy Eastern Airlines Shuttle

## *Texas Air Gets \$365 Million For East Coast Link*

Carol Jouzaitis, Chicago Tribune | OCT 13, 1988

Donald Trump, the prince of Manhattan real estate, announced plans Wednesday to buy Eastern Airlines' crown jewel, the Northeast air shuttle, for \$365 million in cash.

As expected, the developer of glassy skyscrapers and casinos made the announcement with Frank Lorenzo, chairman of Texas Air Corp., which owns Eastern, to a packed news conference in Trump's Plaza Hotel in New York.

Trump and Lorenzo, known for their daring business moves and tough negotiating styles, said they expected the shuttle sale to be completed by Dec. 15. The deal is subject to government approval.

The 27-year-old Eastern shuttle will be renamed the "Trump Shuttle," said the billionaire who owns Trump Tower and Trump Parc in New York, Trump Plaza and Trump's Castle casinos in Atlantic City and Trump Plaza condominiums in Palm Beach.

Eastern, which in 1961 was the first carrier to introduce the shuttle concept, runs 61 hourly flights daily between New York, Boston and Washington. The shuttle is referred to as Eastern's crown jewel because it is the ailing airline's only operation to produce a sizable profit.

"I want to run it as a diamond, an absolute diamond," Trump told reporters. "You're going to be flying with something that is quality and good."

Lorenzo said that though shedding the shuttle was not a "preferred course" for Eastern, which has lost \$1 billion in 10 years, it was a necessary step toward rebuilding its shaky finances.

The sale set the scene for another battle in the long-running war between Lorenzo and Eastern's unions, which vowed to fight the deal in court. Lorenzo has been feuding with Eastern's unions over attempts to restructure the airline and cut labor costs since it was bought by Texas Air in 1986.

The shuttle sale won't affect Eastern's route network along the East Coast, across the country and in Latin America.

Lorenzo acknowledged to reporters that he has discussed selling the rest of Eastern to takeover artist Carl Icahn, who heads Trans World Airlines, but didn't indicate he expected the talks to succeed.

"It's unlikely that Icahn will come forward with a plan that will be acceptable to our board," Lorenzo said.

An attorney for the International Association of Machinists said the union was preparing to seek an injunction against the sale.

The shuttle sale "is the death knell of Eastern Airlines," said Joseph Guerrieri, the machinists' lawyer. "We just can't allow the employees to be walked over in this manner."

Eastern is in contract negotiations with the machinists and pilots unions. The machinists' contract expired nine months ago. The National Mediation Board is expected by year-end to

declare an impasse in the talks, which would pave the way for Eastern to impose new wages and working conditions.

Some industry watchers have speculated that the money raised by the shuttle sale will help Lorenzo build a war chest to weather a strike.

“Lorenzo’s in a position of strength now to confront labor,” said Kevin Murphy, analyst with Morgan Stanley & Co. in New York. “Or, he can just keep selling off parts of Eastern.”

The sale would include 17 Boeing 727 jets, along with landing rights and ground facilities at New York’s LaGuardia, Washington’s National and Boston’s Logan Airports.

Praising Lorenzo for helping force changes on a “fat” industry, Trump pledged to spruce up the shuttle’s jets inside and out and even expand its fleet to better compete with Pan American World Airways’ shuttle. The blue-and-silver jets would be repainted with red, black and gold stripes, he said.

A Trump spokesman in New York said the developer had no reason for buying the shuttle aside from the fact that he considered it a good investment.

Analysts have speculated he would use it partly to carry patrons to his Atlantic City casinos and hotels. It will be Trump’s first real venture in the airline business, though he operates Trump Air, a helicopter service between New York and Atlantic City.

“It’s too soon to say” if Trump will change the shuttle operation, said spokeswoman Norma Foerderer.

The shuttle employs 850. Lorenzo said no jobs would be eliminated by the sale and that Trump would honor existing union contracts.

The operation produces \$176 million in annual revenue, or a little more than 4 percent of Eastern’s total yearly revenue, said Eastern spokeswoman Karen Ceremsak.

Under Trump’s ownership, shuttle passengers will continue to participate in Eastern’s frequent flier program, Eastern said.

Eastern’s board approved the sale at a meeting in New York.

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