

## High Price of Low Fares

Fare wars can be murderous. When some companies offer big discounts, other airlines have to match their fares, whether they can afford to or not.

James J. Hartigan, president of United Airlines watched his company lose \$81 million in one year as it struggled to compete with more streamlined airlines. Finally, having decided that drastic measures are necessary, he has called a meeting with the company's top human resources staff. "We've got to cut out costs," Mr. Hartigan tells all of you gathered in his office. "And we've got to do it immediately."

He'd really like to convince the unions to make some wage and benefit concessions, but they're protected by contracts for another eight to ten months. In the short term, United can save \$100 million by laying off about 1,000 nonunion people at headquarters in Chicago, freezing management salaries, and stopping unnecessary expenses. Safety and service are out of bounds.

"This is going to be awfully hard on morale," you point out. "You're talking about firing 25% of the executive office personnel." By the pained look on his face, you know that Mr. Hartigan has no more enthusiasm for the layoffs than you do. But there's no alternative.

As the meeting breaks up, Mr. Hartigan directs the human resources department to prepare a memo announcing United's cost-cutting moves. Affected individuals will be notified personally when the layoffs begin next week. Of course, the company will help all terminated employees find new jobs.

Your task: Draft the memo. It will go out under Mr. Hartigan's signature, so it should sound as though it comes from him. Please put your name in the upper right hand corner. You need bring only one copy to class.