

AMERICAN AIRLINES BANKRUPTCY



AMR, American Airlines and other subsidiaries filed for bankruptcy protection in November. With plans to cut 13,000 jobs and get labor-cost concessions from its unions AMR asked the bankruptcy court to throw out American's contracts with unions for pilots, flight attendants and ground workers and to impose the company's pay and work demands; a move that forces unionized workers to quickly agree to concessions. With the intent of slashing overall costs by \$2 billion annually, the company filed for Chapter 11 on Nov. 29, citing a need to cut its labor costs to better compete with profitable rivals. The major saving would come from labor costs. The parent company of American Airlines has cited losses of \$619 million last month. Since filing for bankruptcy AMR Corp. has lost \$1.76 billion including \$663 million in expenses related to the Chapter 11 reorganization amounting to a \$1.08 billion plus loss in the first 11 months of last year. AMR's biggest expense continues to be fuel at \$682 million in February, closely followed by labor at \$584 million. The company still prefers negotiated deals with its labor unions and remains in talks with them. "American is ready to continue talks with all its unions to bring these important negotiations to a successful conclusion," the company said. Regional carrier American Eagle has about 14,000 employees with American having a full force of 74,000 full- and part-time employees. Of note, despite ongoing losses, AMR has managed to build up its cash stockpile from \$4.74 billion at the start of the year to \$5.41 billion by Feb. 29. Current and potential passengers have no reason to expect any broad disruptions or disturbances. American knows that their customers especially their frequent fliers are the most important part of the company. There may be minor changes in the ways that miles can be redeemed without touching the current miles. Similarly, American will continue to take care of passengers ensuring they make it from point A to B, as well as competitively price flights and offer normal services. Most of the changes to American will be behind the scenes; employee benefits will suffer, some routes will shrink and growth will surely stagnate. However, American Airlines still has big plans down the road. This year they made the largest aircraft order in history. Bankruptcy is just one more move in this chess game of the airline industry.

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