

PINNACLE AIRLINES FILES FOR BANKRUPTCY, SCALES DOWN OPERATIONS



Pinnacle Airlines Corp, based in Memphis, TN, has filed for bankruptcy protection. The company operates as different regional airlines, including Delta Connection, for larger companies such as Delta Air Lines, United Airlines and US Airways. The company stated that, as part of an effort to decrease its labor and operating costs, it will be staying with Delta but will no longer be flying for United Airlines or US Airways. Pinnacle's decision has been blamed on rising costs of fuel and the economic recession, which have, in turn, hindered the need for people to travel. The company employs 8,000 people and operates over 1,540 flights each day to 188 cities and towns in the U.S., Canada, Mexico and Belize. It has claimed approximately 1.5 billion dollars in assets and the same in liabilities. The company's president and chief executive Sean Menke said in a statement, "Quite simply, our current business model is not sustainable as increasing operating expenses, liquidity constraints, business integration delays and difficulties associated with combining our operations have hindered our ability to maximize our growth potential." Delta has committed to providing 74.3 million dollars in debtor-in-possession financing to help Pinnacle in its standard operations. Betsy Talton, a spokeswoman for Delta, stated that the company will be assisting Pinnacle during its reorganization and safeguarding the company's customers. Ray Neidl, an airline analyst at Maxim Group, stated in an article on Reuters.com that Pinnacle's primary reason for continuing services is its deal with Delta. According to Neidl, regional airline companies have recently been pressured into "marginalizing" regional partners that fly smaller planes and concentrating on major airlines. "With high fuel costs, it's much more uneconomical now to use the regionals into smaller cities and use smaller jets," said Neidl. "That's why regional airlines are generally moving up in size in the aircraft they operate. The regional sector is shrinking and moving toward larger aircraft in general, and the number of participants is going to be declining." Pinnacle filed for bankruptcy last Sunday, April 1st, where it referred to its business model as a "race to the bottom" because regional airlines had no option but to bid lower to earn business with major carriers. The company will be seeking wage reductions and similar concessions from labor unions, hoping that they can reach amicable agreements. In November, the parent company of American Airlines, AMR Corp, filed for bankruptcy and had trouble with union negotiations regard labor contracts. Just last month, AMR requested approval from bankruptcy court to dismiss labor contracts, which would likely compel pilots and other workers in unions to settle with any proffered concessions. Pinnacle estimated its assets and liabilities at over one billion dollars. The day after the bankruptcy filing, shares of the company's stocks waned by 54 percent at 63 cents on the Nasdaq.

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