

American Airlines bankrupt

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AMERICAN Airlines, which flies more passengers to and from Jamaica than any other carrier, and its parent AMR went into Chapter 11 bankruptcy yesterday seeking protection from creditors who are owed US\$29.6 billion (\$2.5 trillion).

The company also announced that their chairman and CEO, Gerard Arpey, 53, who earned US\$5.2 million last year, was retiring, to be replaced by president Thomas Horton, 49.

The airline will continue to ferry passengers around the world while its attempt to restructure its financial obligations winds its way through a Manhattan court.

And passengers' air miles are expected to be safe.

However, it is likely to cut both routes and jobs before it emerges from Chapter 11 of the US Bankruptcy Act in 18 months' time, Horton said.

Although most analysts think the company will return fitter than before, it is also possible that it could be wound up and its US\$24.7 billion in assets sold off.

"You would expect a leaner, stronger company to emerge from bankruptcy," Chris Logan, an analyst at Echelon Research & Advisory, told Bloomberg.

Horton said: "When we're completed with this process, our company will be competitive and poised to grow and prosper."

The dramatic move came after American failed in its attempts to negotiate cost-cutting agreements with its unions.

Every other major US airline went into Chapter 11 protection after the September 11, 2001 terrorist attacks sent the aviation industry into a tailspin.

Emerging with lower debt and pension obligations, they were able to out-compete American, which claimed to have a US\$800 million wage gap.

From being the world's largest airline in 2008, American fell to third place in the US alone behind United Continental and Delta after being forced to sit out a round of international mergers.

AMR said in its bankruptcy filing that its cost-cutting efforts had been insufficient. "Without



