

Judge May Be Close to Approving AMR Bankruptcy Plan

by Joel R. Glucksman on September 12, 2013

AMR Corp. may be permitted to proceed with its plan to exit bankruptcy protection, despite the ongoing government lawsuit that seeks to disrupt its bankruptcy plan by preventing a merger with US Airways Group.

At a hearing in the U.S. Bankruptcy Court in Manhattan, Judge Sean Lane hinted that he may approve the airline carrier's proposed bankruptcy exit plan - a key component of its planned merger with US Airways. Although he did not provide any definitive answer on how he would rule, he said that he found "arguments in favor of confirmation to be fairly persuasive," and would like additional time to review the matter.

Lane delayed confirmation of the carrier's bankruptcy exit plan earlier in August after the U.S. Department of Justice launched an anti-trust lawsuit, claiming that the merger of American Airlines and US Airways would create too much consolidation in the market and result in significantly higher airline costs and fees for consumers. According to the Justice Department, the merger between the two carriers would allow the top four airlines to control roughly 80 percent of total domestic air traffic.

However, AMR told Judge Lane that the Justice Department's lawsuit should not be a determining factor in his decision to approve the bankruptcy plan. The company argued that the plan is subject to regulatory approval either way, and any issues with the federal government would need to be settled before the plan could go into effect.

Although the merger had already been approved by shareholders, creditors, and the European Commission, the unexpected lawsuit seeks to upend the deal and push AMR back to square one in terms of exiting bankruptcy proceedings and determining how to repay creditors. AMR has reiterated its support of the merger as a business deal that would actually lower costs for consumers, and asserted its intention to fight the lawsuit.