

# Bankruptcy Judge Hesitant to Approve AMR's Bankruptcy Plan

by Joel R. Glucksman on August 27, 2013

The Justice Department's unexpected antitrust lawsuit that is designed to halt the merger of US Airways and American Airlines may interfere with the final confirmation of AMR's bankruptcy plan, a judge said in Thursday's hearing.

U.S. Bankruptcy Judge Sean Lane, who before this week was expected to give the final approval of AMR's bankruptcy plan, said that he has "lingering doubts" about approving the company's proposal while the merger was being challenged. Instead, he requested that attorneys for the airlines submit written briefs detailing the impact of the antitrust lawsuit before he proceeded with the plan-confirmation hearing. The request may further delay AMR's plan to formally exit bankruptcy protection, a key condition that must be met before any merger could take place. Attorneys for the airline said that the lawsuit should not stop the court from approving AMR's bankruptcy plan, The Associated Press reports.

Earlier, representatives for the Justice Department argued that AMR is "fully capable of emerging from bankruptcy proceedings on its own with a competitive cost structure, profitable existing business, and plans for growth," according to Bloomberg. Further, the government agency said that the merger would hinder competition in the industry and prompt the airline to raise prices and fees for consumers. Both airlines have argued that the opposite is true, and that greater resources would allow it to offer competitive pricing to customers.

Should the merger deal be blocked, analysts say that the company and its creditors will be required to establish a new plan that suits all parties, a process that could drag out into 2014. However, AMR noted that the merger is in the best interest of the company, its creditors, shareholders, and customers. Immediately following the announcement of the Justice Department's lawsuit, representatives for both airlines said they plan to fight the litigation to move forward with their plans.