

# US Airways' Purchase of AMR Debt Stirs Controversy

by Joel R. Glucksman on August 7, 2012

In its continuing efforts to merge with bankrupt American Airlines, US Airways has made its most aggressive move yet and purchased a share of AMR's debt.

US Airways announced it has purchased debt shares of AMR Corp. – parent company to American Airlines – which will give it standing in the company's Chapter 11 bankruptcy case. US Airways has been seeking a merger with the distressed company for months, and has garnered strong support from American's labor unions and investors. However, American Airlines has been considering a variety of options and has yet to determine the best outcome for its future.

American Airlines rebuked the purchase of AMR's debt, calling the move by US Airways a "meaningless ploy to garner publicity." In addition, the airline played down the amount of debt US Airways purchased and noted that it will not give the company a significant amount of standing in bankruptcy court. US Airways, however, says the move will give it more leverage when it comes to negotiating merger options.

"We purchased the debt to ensure that we would have standing to participate in proceedings before the Bankruptcy Court in AMR's Chapter 11 case," US Airways said in a prepared statement. "We think this will be particularly important now that AMR has publicly committed itself to a review of strategic alternatives."

American Airlines, the third-largest airline in the country, sought protection under federal bankruptcy law in November and has tried to avoid merging with US Airways, the fourth-largest carrier, since its filing. However, many analysts believe the merger is unavoidable if the two airlines want to stay competitive in an evolving economy.