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Waterloo still on board with American

Story Discussion

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By JIM OFFNER, jim.offner@wfcourier.com | Posted: Wednesday, November 30, 2011 11:00 am | (3) Comments

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Steve Dust (Courtesy Photo)

WATERLOO, Iowa --- American Airlines' bankruptcy has not grounded Waterloo Regional Airport's hopes to land the carrier as its commercial airline.

"My understanding is this doesn't have any effect on American's application for the EAS (essential airline service) bidding of the markets, nor does it have any effect on their operations," said Brad Hagen, airport general manager.

Last week, Waterloo Mayor Buck Clark submitted a report to the U.S. Department of Transportation endorsing a switch of commercial airline service from Delta Airlines to American. A change would mean twice-daily jet-service connections to Chicago O'Hare International Airport via American instead of similar service on Delta to Minneapolis-St. Paul International Airport.

The DOT is expected to make a final decision "before the holidays," although there is no formal deadline, Hagen said.

American's parent company, Fort Worth, Texas-based AMR Corp., filed for Chapter 11 bankruptcy protection Tuesday to cut costs and unload

massive debt built up by years of high fuel prices and labor difficulties. The airline said the action would not affect travelers.

American apparently had bankruptcy already in mind when it recently impressed local government and business officials with a bid for service between Waterloo and Chicago, according to Steve Dust, CEO of the Greater Cedar Valley Alliance & Chamber.

"The city's air service consultants explained to us in several meetings American has needed to file for bankruptcy protection for over two years," Dust said. "It was imminent and something everybody had factored in."

Dust noted American, the U.S.'s third-largest commercial carrier, is the last so-called "legacy" airline to file for bankruptcy protection.

"It seems filing for bank protection has been a strategy of airlines and automakers and other major businesses as method to realign costs and regain competitiveness," he said.

Delta, which filed for bankruptcy protection in 2005, was the last major airline to do so before American's action Tuesday.

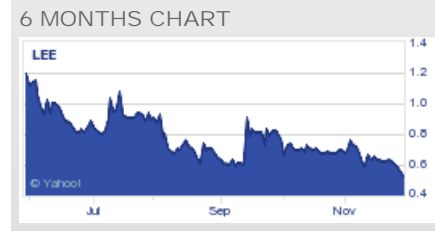
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American's bankruptcy actually could be a boon to American's bid to offer service to the Waterloo-Cedar Falls market, said Jeff Kauffman, an airline analyst with Sterne, Agee & Leach of Birmingham, Ala.

"Once this process is complete, American will be in growth mode again," he said. "If becoming a carrier is an option in Waterloo-Cedar Falls, this won't necessarily stop them."

Kauffman said, if American covets the Cedar Valley market, bankruptcy might free it from less-profitable commitments.

"American could argue it could free them up for a market like yours to make money," he said.

American is financially healthy enough to come out of bankruptcy in good shape, Kauffman noted.

"They're going in with enough cash --- \$4 billion --- that it will not interrupt operations," he said.

How Waterloo-Cedar Falls would fit in a slimmed-down airline schedule remains to be seen, said Seth Kaplan, a Fort Lauderdale, Fla.-based analyst with trade publication Airline Weekly.

"Certainly, one thing is American is going to be a smaller airline when this is all finished, but the cuts won't come across the board," Kaplan said.

The bankruptcy could affect American's service to Chicago in some way, he added.

"One hub that might be somewhat vulnerable is Chicago, because they're in a tough competitive position there."

United Airlines is the dominant carrier at O'Hare International Airport, Kaplan noted.

American will have to factor the feasibility of Waterloo-Cedar Falls into that changing business model, Kaplan said.

"They're going to have some very big strategic decisions about the airline before they get down to which small markets they're going to service from Chicago," he said. "Is it going to be as big in Chicago as it is now? Is it going to strengthen its regional airline? Will it mean as many opportunities for smaller markets, whether it's Waterloo or somewhere else? Those will be the first questions they have to ask."

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