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BANKRUPTCY FUNDING TROUGH COULD DRY UP

Source: Chris Walsh, Rocky Mountain News

United Airlines could face additional challenges getting - and staying - out of Chapter 11 if rivals Delta and Northwest both plunge into bankruptcy as well, experts said Tuesday.

United's plan to emerge early next year is largely dependent on the carrier's ability to cement an agreement with four banks that have offered up to \$3 billion in financing. But it's not a done deal yet, and United could find itself competing against Delta and Northwest for much-needed capital. Both those airlines, after all, would require additional financing to operate in bankruptcy.

"Some of the potential lenders who might be on the fence supporting United's reorganization might instead look to the possibility of supporting either Delta or Northwest," said industry consultant Bob Mann in Port Washington, N.Y. "In theory, lenders could possibly get a deal with more equity or one that would be less of a risk."

United, in bankruptcy for nearly three years, proposed an exit schedule and a reorganization plan last week that would bring it out of Chapter 11 on Feb. 1. The bankruptcy court overseeing United's restructuring still must approve the schedule, and creditors will vote in coming months whether to accept the carrier's plan.

United, currently negotiating terms of the financing, said it doesn't expect any other airline bankruptcies to impede its progress.

"We've faced competitive pressures every day, and we have gone through and done the work and focused on our restructuring," said United spokeswoman Jean Medina.

The carrier could face new competitive pressures once it emerges, though, one observer said.

Delta and Northwest would gain the same advantages under bankruptcy protection that United has had during its time in Chapter 11, using the process to cut costs and shed debt to become more competitive.

"The impact of Northwest and Delta bankruptcies would still be an impediment for a carrier coming out of bankruptcy and already on shaky footing," said Jahan Alamzad of consulting firm CA Advisors in San Jose, Calif.

United is the largest carrier at Denver International Airport, with a market share of just over 40 percent.

Delta and Northwest each have a limited presence at DIA.

Northwest accounted in July for an average of 35 daily departures and arrivals of the 1,500 flights DIA handled each day. Delta accounted for about 40.