

Opening Statement of Senator Jean Carnahan
Senate Committee on Commerce, Science, and Transportation
Hearing on American Airlines' Proposed Acquisition of Trans World Airlines
February 1, 2001

Mr. Chairman, TWA has one of the most distinguished histories in the airline industry. Many of you may not know this, but having been in service for over 75 years, Trans World Airlines is the oldest continuous name in U.S. commercial aviation. As a Missourian, that is something that I take great pride in.

Unfortunately, however, after nearly two decades of financial difficulties, including the current string of 12 consecutive years without posting a profit, TWA has reached the point where it is no longer able to survive independently.

The company's mounting debt and poor credit, coupled with continued problems associated with a prior separation agreement with former owner, Carl Icahn, caused irreparable damage to the airline. Ultimately, these problems became too burdensome to overcome, even in light of the exceptional efforts of TWA's management and employees.

Earlier this month, American Airlines proposed to acquire substantially all of TWA's operating assets. TWA's board of directors approved American's proposal. While I am saddened by the fact that St. Louis will lose its hometown airline, my overwhelming concern is for the jobs of the more than 20,000 TWA employees and their families. Officials at American Airlines have assured me that they plan to offer employment to virtually all of TWA's contract employees -- including the employees at TWA's overhaul base in Kansas City.

While continued employment opportunities for TWA employees is foremost among my concerns, I was similarly fearful about the negative impact that TWA's liquidation would have on the rest of the state's economy. St. Louis' Lambert International Airport, where TWA is headquartered, has an annual economic impact of \$5 *billion* on the region. Having a "hub" in St. Louis is critical to maintaining the region's economic vitality. American has assured us that they plan to use St. Louis as a hub.

American's proposal is the only scenario I have seen to date that provides

the key assurances in terms of maintaining jobs, the overhaul base in Kansas City, and St. Louis as a hub.

Therefore, Mr. Chairman, even in light of my general concerns about consolidation in airline industry and the potentially adverse impacts it could have upon consumers, I view American Airlines' proposed acquisition of TWA as wholly separate and unique from the other mergers which are currently pending. I urge you and the other members of the committee to do so as well.

The primary difference with the American/TWA deal is that, as I mentioned, TWA is a financially distressed firm. With most of its assets used as collateral for earlier loans, the airline is unable to borrow any additional funds. Furthermore, record-high fuel prices have ultimately driven TWA into bankruptcy. In fact, were it not for the \$200 million of debtor-in-possession financing that American provided, TWA would not even be operating today. Because of TWA's precarious financial situation, it is also critical that this transaction be dealt with swiftly.

During the bankruptcy court proceeding last weekend, the judge in the case

held up a thick folder of papers and said, “These are letters and forms from TWA employees. And they all support the transaction.” My office has been similarly inundated with calls and letters from TWA employees imploring me to help save their jobs.

As a Senator from Missouri, I cannot overlook the damage -- particularly the loss of jobs -- that TWA’s closing would have on my state and on the nation as a whole. I hope that these circumstances will be taken into account when evaluating the various deals that are before us. Mr. Chairman, thank you for convening these hearings, and I look forward to hearing from the witnesses who are here today.