

AMERICAN AIRLINES posts huge loss on fuel costs...

Wednesday, 20 April 2011

American Airlines lost \$436 million in the first quarter as it battled rising jet fuel prices, likely foreshadowing huge losses at other major U.S. airlines.

American responded to the grim numbers Wednesday by announcing it will scale back plans to add new flights and retire at least 25 older, gas-guzzling planes later this year.

Spot prices for jet fuel have been rising sharply since September, and American spent \$1.8 billion on fuel in the first quarter -- an increase of \$366 million or 25 percent from this time last year. At current oil prices, the gap could grow during the rest of 2011.

American was also hurt by winter storms that caused the cancellation of thousands of flights in the U.S., and by a slump in travel to Japan after the March earthquake and tsunami.

American's parent, AMR Corp., lost \$1.31 per share. Not counting one-time charges for sale-leaseback deals, the company said it would have lost \$1.21 per share.

Analysts, who usually exclude such items from their figures, expected a loss of \$1.28 per share, according to research firm FactSet. A year ago, AMR lost \$505 million, or \$1.52 per share.

Revenue rose 9.2 percent, to \$5.53 billion, as passenger traffic improved modestly and fares rose since December.

The first quarter is usually the weakest for airlines, and analysts predict that United Continental, Delta and several other U.S. airlines also lost money. Wall Street thinks most airlines will turn profitable by year-end, but not AMR.

Airlines have been raising fares to offset higher fuel costs. They can drive up prices by reducing capacity -- the supply of seats for sale. American had planned to boost capacity later this year, but those plans are changing as fuel prices rise.

The airline said Wednesday it will reduce expansion plans, especially on U.S. flying, although it still expects to increase fourth-quarter capacity 2.2 percent above the same period in 2010.

American said it will retire at least 25 MD-80 aircraft this year to save fuel and add newer planes to its fleet.

AMR shares rose 6 cents to \$5.76 in morning trading.