

Tuesday, December 4, 1990

The Battalion

## Parent company of Continental files for Chapter 11

HOUSTON (AP) — Continental Airlines Holdings Inc., the remnants of Frank Lorenzo's Texas Air Corp. empire, filed Monday for protection from creditors, saying it was overwhelmed by its heavy debt load and surging fuel prices.

The company, parent of Continental Airlines Inc., filed its Chapter 11 bankruptcy petition in Wilmington, Del., where it is incorporated. The filing is the second time in seven years Continental has sought to reorganize.

In 1983, as Lorenzo was building Texas Air into the nation's largest airline holding company, Continental filed for bankruptcy protection amid a bitter labor dispute with the airline's union.

The filing allowed Continental to scrap union contracts and hire low-cost replacements for striking workers. It also led to a change in federal bankruptcy law to make such a move more difficult.

Texas Air eventually grew to include Eastern Airlines Inc., but lost that carrier when a bankruptcy court judge replaced Lorenzo with a trustee. Eastern too had filed for Chapter 11 after a labor dispute.

Monday's move by the nation's fifth largest airline underscores the financial beating taken by all airlines because of a weakening economy and sluggish demand in air travel.

"It became more difficult for us to raise money as we were trying to do before the fuel crisis hit us," Continental chief Hollis Harris said at a news conference in Wilmington. "Being highly leveraged ... we could not handle the debt and the fuel costs at the same time."

As part of the filing, the Houston-based carrier said it has agreed to sell its Seattle-Tacoma to Tokyo route to American Airlines Inc. for



Continental Airlines passengers discuss their travel plans at Easterwood Airport.

MIKE C. MULVEY/The Battalion

\$150 million, pending approval of the bankruptcy court. The route sale is expected to be concluded at the end of 1991, but \$140 million of the sale price is expected to be advanced to Continental before the deal closes.

As part of the decision to sell the Seattle-Tokyo route, Continental withdrew its other international routes from the market. Last month,

Continental put those routes up for sale instead of seeking bankruptcy protection.

Continental owes about \$2.2 billion in outstanding debt, about \$1.7 billion of which is secured. It also has nearly \$4 billion in aircraft operating losses.

"Continental made these decisions reluctantly," Harris said. "We were

making good progress. Revenues were up over 1989 and debt was being serviced until problems in the Middle East placed the world economy at risk."

Continental lost \$88.3 million in the third quarter of this year, compared to a loss of \$158 million in 1989. For the first nine months, losses totaled \$97 million, compared with a \$522.8 million loss last year.

## Lorenzo warns troubles could increase air fares

HOUSTON (AP) — Frank Lorenzo no longer may be in charge at Continental Airlines, but the carrier he shaped into a leading force in the industry is following a road he traveled in the early 1980s when Continental filed for protection under federal bankruptcy laws.

In August, the 50-year-old entrepreneur who came to symbolize a tumultuous decade of airline deregulation announced he was selling off most of his stake in Continental to Scandinavian Airlines System.

He also resigned as chairman and chief executive at Continental to be replaced by Hollis Harris, a respected manager lured to Continental after serving as president of rival Delta Air Lines Inc.

Just two weeks ago, in his first public remarks since departing Continental, Lorenzo warned that the troubles in the airline industry could leave just three or four major airlines within three years.

"And if you don't like air fares today ... just hold on to your hats — you may not have seen anything yet in terms of air fare price increases," he said.

He also likened the perilous financial situation of the airlines to 11 p.m.

Under that comparison, Monday was midnight of sorts for Continental; seven years and 10 weeks after Lorenzo took the carrier into bankruptcy court in Houston, Continental returned to the protection of the court, this time in Delaware.

During his years with the airline,

Continental rose to become the nation's largest carrier, climaxing a business growth that began in 1966 when Lorenzo and Harvard University classmate Robert Carney formed a financial advisory firm.

But even before that, in 1963, Lorenzo's first professional job was in the industry, when he was hired by Trans World Airlines as a financial analyst. Within two years, he was manager of the financial analysis department at Eastern.

In 1968, the Lorenzo-Carney duo created Jet Capital Corp., which bought a controlling interest in Texas International Airlines in 1972. Lorenzo, then 32, a Harvard MBA and son of Spanish immigrants from Queens, N.Y., was the carrier's youngest president.

In 1981, Lorenzo merged Texas International with Continental after a bitter takeover battle. His image as a union buster began when he fought organized labor at Continental and won.

The image grew in 1983 when he put Continental, then the nation's eighth-largest airline, under bankruptcy protection, scrapped labor contracts and hired strike replacements at lower pay.

Lorenzo subsequently acquired New York Air, People Express and Frontier airlines, which were merged into Continental.

He didn't face another labor fight until he acquired Eastern in 1986, where his relationship with unions was acrimonious and a strike against the airline made him the target of union members' hatred.

Using billions of dollars in borrowed money and cheap fares, Continental and Eastern, once high-cost airlines, helped Lorenzo's Texas Air Corp. become the nation's largest airline operator, capturing about 20 percent of the domestic market.

## Governor announces more National Guard personnel put on alert

AUSTIN (AP) — About 220 Texas Army National Guard personnel of Company G, 149th Aviation in Grand Prairie have been alerted for possible mobilization to support military operations in the Persian Gulf, Gov. Bill Clements said.

The helicopter unit was placed on alert during the weekend, Clements announced Monday.

No date has been set for the unit to be called up.

The mission of Company G, 149th Aviation is to provide air transport of personnel and cargo for combat support operations.

The unit's basic item of equipment is the CH-47D helicopter.

About 820 guardsmen of the 3rd Battalion, 141 Infantry, will mobilize on Friday and move to their mobilization station at Fort Hood a few days later.

The combat infantry battalion is located in the Lower Rio Grande Valley with headquarters in McAllen.

Some 320 members of the Texas Guard's 217th Evacuation Hospital in San Antonio remain on an alert status.

They were notified of their possible mobilization on Nov. 23.

## UT students killed in auto wreck Saturday

AUSTIN (AP) — Three University of Texas engineering students died and three of their close friends were injured when a movie-going expedition turned into tragedy.

The study group members set out in a small sedan to go to a movie shortly after midnight Saturday. Twenty minutes later, rescue workers were hovering around their crushed vehicle on Interstate 35 near downtown Austin.

Rescuers said it was a miracle that anyone survived.

"It was the worst I have seen in my two years here," said Sally Muir,

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## Man sought by police for felony DWI offense

Brazos County Crime Stoppers is asking for information about the whereabouts of Vicente D. Herrera, wanted by the Brazos County Sheriff's Department for felony driving while intoxicated and bond forfeiture.

Herrera, 34, is a Hispanic male, 5 feet 4 inches tall and about 132 pounds. He has black hair and brown eyes.

Herrera also has a scar on his left cheek and is missing a finger on his left hand.

The Brazos County Sheriff's Department and Crime Stoppers need help this week to locate Herrera.

If you have information that could be helpful, call Crime Stoppers at 775-TIPS.



When you call, Crime Stoppers will assign you a special coded number to protect your identity. If your call leads to an arrest and grand jury indictment, Crime Stoppers will pay you \$250 in cash.

Crime Stoppers also pays up to \$1,000 cash for information on any felony crime or the location of any wanted fugitive.

## Correction

A story in Friday's issue of The Battalion incorrectly stated Texas Marine Platoon members and members in the Corps of Cadets' Squadron 7 ran the game ball to Austin together.

The Texas Marine Platoon, an active-duty Marine unit, ran the official Texas A&M vs. University of Texas game ball to Austin.

Squadron 7 ran a ball and left Thursday night during bonfire. Marine Platoon members left College Station Friday night.

The Battalion regrets the error.

## TEACH FOR AMERICA application deadline for spring interviews

### January 4, 1991

Teach For America is a national teacher corps of talented, dedicated individuals from all ethnic backgrounds and academic majors who work for two years in urban and rural schools that have persistent teacher shortages.

Applications are available at Career Planning and Placement

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INTERVIEWS begin Monday January 21st  
(limited space available)  
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## APPLICATIONS

INFORMATION SESSIONS:  
Wed, Jan. 16 or Thurs, Jan. 17  
7:00 p.m. Rudder Theater