

Unable to Line Up a Buyer, Frontier Airlines Files for Protection From Creditors AUG. 29, 1986

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DENVER — Frontier Airlines, whose name was once synonymous with air travel in the West's Rocky Mountain, filed Thursday in federal court for protection from creditors under bankruptcy laws after the once-thriving carrier could not be sold.

Frontier and its 4,700 employees thus became the latest casualties of airline deregulation, which began in 1978. Frontier was 39 years old.

"Unless some other entity is willing to acquire Frontier's business, Frontier has no plans to resume service," the airline's parent company, People Express Inc., said in a statement following the bankruptcy action.

Steve Sanborn, 36, a Frontier mechanic for 11 years who earlier in the day had led a prayer service for Frontier employees here, called the airline "a good friend that'll never be forgotten."

The airline's fate had been hanging in the balance since Sunday, when Frontier grounded its fleet of 42 jets and it became clear that People Express might not be able to complete the proposed sale of Frontier to United Airlines. Frontier was finally dispatched into bankruptcy court shortly before 5 p.m. Thursday, after People Express failed to find another purchaser for Frontier, which lost nearly \$60 million in the first six months of this year.

'Regrettable Day'

"It's very disappointing, especially today, because my 19th anniversary with the company is today," Kay Pedersen, 39, supervisor of reservations control, said moments after the filing. But, she added, "That it's over is a relief. Now we can all go on with our lives."

"It is a regrettable day for our employees, our customers and for our industry," said Frontier spokeswoman Marilyn Mishkin.

People Express Chairman Donald C. Burr said Thursday night: "This decision to file a bankruptcy petition was made only after we had exhausted every other available alternative. . . . None of the airlines or other financially responsible entities we spoke to was willing to make an offer for Frontier as a whole.

"With respect to United Airlines, we offered to take a drastic reduction in price if United would complete its acquisition of Frontier, but United was unwilling to proceed with the transaction."

Earlier in the day, United Airlines had rejected as too late concessions by its pilots union to break the labor impasse that United cited as killing its initial agreement to purchase Frontier. The United unit of the Air Line Pilots Assn. offered to give the airline what it wanted: a five-year plan to merge the lower-paid Frontier pilots into the United pilots' much-higher wage scale.

Before negotiations broke off early Monday, the union had offered a 30-month merger period. United had previously said that it must reach agreement with Frontier's five labor unions in order to complete its \$146-million acquisition of Frontier.

"Regrettably, it's too late," Joe Hopkins, a United spokesman, said Thursday of the union's last-minute effort. "It's simply too late and too expensive to take Frontier and all of its liabilities at this time."

Frontier Union Leaders Bitter

In its bankruptcy petition, Frontier listed assets of \$341,969,000 and liabilities of \$278,093,000. "We regret the bankruptcy, and we did our damndest to avoid it," said Jim Waters, a United pilot and member of the governing board for the United ALPA unit.

But, at an emotional and teary-eyed rally Thursday night at Frontier's abandoned ticket counter at Denver's Stapleton International Airport, the airline's labor leaders--to the cheers of more than 1,000 co-workers--blamed both United labor and management for their fate. "The burden and responsibility and blame has to be borne by both," said Lorraine Loflin, head of Frontier's 800-member unit of the Assn. of Flight Attendants.

She added in an interview: "ALPA had a responsibility to their brothers and sisters at Frontier." But, she said, the ALPA wanted to ease or undo altogether the two-tier wage scale it conceded to United in a work stoppage last year. "Both sides," Loflin said, "seized on the opportunity to rehash the 1985 strike."

The filing under Chapter 11 of the U.S. Bankruptcy Code--technically for protection for creditors during reorganization--ends three years of financial uncertainty for Frontier, which was serving 55 Western cities at the time it halted operations Sunday.

At the time of deregulation of the airline industry in 1978, Frontier was serving 89 cities with a fleet of 59 aircraft. The airline had managed 10 non-stop years of profit until 1983--one year after United launched a major expansion at Denver. The same year, Continental Airlines, another major competitor with a hub in Denver, filed for bankruptcy itself and later emerged as a low-cost carrier.

The three carriers--huge United, low-fare Continental and caught-in-the-middle Frontier--engaged in brutal competition, and both Continental and United were clear winners in the fight for passengers at Stapleton, the nation's fifth-busiest airport.

The major question for cash-hungry People Express now is its own survival. Although it staunches the drain of Frontier's losses, it will not get the cash it would have received from the sale to United. People Express, which almost single-handedly changed the nature of and cost of air travel in the United States with its no-frills, low-fares service, bought Frontier last November and converted it into the same get-what-you-pay-for service as People. Many customers were quickly alienated.

Bought Some Assets

And Frontier's losses of nearly \$10 million a month quickly became a drain on People, as People began incurring its own losses--\$132.48 million in the first half of 1986. On July 10, it reached an agreement to sell Frontier to United, contingent on United reaching agreement with Frontier's unions.

Before Sunday, United had acquired about \$50 million worth of Frontier's assets--gates and hangars in Denver, landing slots in Chicago and gates in Dallas. "We're angry at United because we had other airline offers and United just wanted to pick the bones of the company," said Helen Finney, 50, a customer service agent who has already been to the unemployment office. "They weren't interested in buying us--just putting us out of business."

United has said it originally wanted all of Frontier--to effect a major, rapid expansion. Even though the bankruptcy filing had been expected all week, Finney said, "We're still stunned. "My goodness," she added, "Frontier won't be around anymore!"