Continental 'may run out of cash'

Shares in Continental Airlines have tumbled after the firm warned it could run out of cash.

In a filing to US regulators the airline warned of "inadequate liquidity" if it fails to reduce wage costs by $500m by the end of February. Continental also said that, if it did not make any cuts, it expects to lose "hundreds of millions of dollars" in 2005 in current market conditions. Failure to make cutbacks may also push it to reduce its fleet, the group said. Shares in the fifth biggest US carrier had fallen 6.87% on the news to $10.44 by 1830 GMT. "Without the reduction in wage and benefit costs and a reasonable prospect of future profitability, we believe that our ability to raise additional money through financings would be uncertain," Continental said in its filing to the US Securities and Exchange Commission (SEC).

Airlines have faced tough conditions in recent years, amid terrorism fears since the 11 September World Trade Centre attack in 2001. But despite passengers returning to the skies, record-high fuel costs and fare wars prompted by competition from low cost carriers have taken their toll. Houston-based Continental now has debt and pension payments of nearly $984m which it must pay off this year. The company has been working to streamline its operations - and has managed to save $1.1bn in costs without cutting jobs. Two weeks' ago the group also announced it would be able to shave a further $48m a year from its costs with changes to wage and benefits for most of its US-based management and clerical staff.