

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

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✈ FINANCIAL STATE OF THE AVIATION INDUSTRY

AIRPORTS SEEK HELP IN MEETING DEBTS

David Plavin, president of the Airports Council International -- North America, asked Congress Tuesday for help in meeting their debt requirements because of a drastic decline in business in the aftermath of the attacks on the World Trade Center and the Pentagon. Plavin estimated that security costs and airport revenue losses tied to the Sept. 11 attacks could reach \$3 billion by next year. He said relief should come from general federal funds, but said other financing options included a security fee on airline tickets and temporary access to federal funds earmarked for other aviation programs. To help airports meet their obligations, Plavin asked Congress to permit them to refinance all tax exempt debt and to provide three to six months of debt service to compensate for the dramatic reduction in airline business. Plavin said the decline in passenger revenue has "further created instability" in the airport bond market, noting the Standard & Poor's announcement last week that all of its North American airports are on "credit watch." His group and the American Association of Airport Executives, also want Congress to provide certain insurance guarantees, which lawmakers did for the financially struggling airlines last week. "While insurance companies have raised the price of war-risk insurance for airlines, they are canceling it for airports so that it is not available at any costs," Plavin said. (R, 9-26-01)

AIRBUS SCUTTLES PRODUCTION PUSH, CITING AIRLINE INDUSTRY SLOWDOWN

Europe's Airbus said the economic crisis confronting airlines world-wide has forced it to scuttle plans to sharply increase jetliner production through the end of 2003, and it now projects aircraft deliveries to stay flat throughout that period. In the wake of last week's terrorist strikes, Airbus said it most likely will deliver 320 aircraft this year, about 14 fewer than previously projected. But more importantly, it said it intends to freeze production at roughly that level -- somewhere between 330 and 350 deliveries annually -- through December 2003. Before the attacks convulsed the world's airlines and prompted carriers from the U.S. to Europe to Asia to cut capacity and look for ways to reduce orders, Airbus envisioned annual production climbing to between 400 and 450 commercial jets over that period. (WSJ, 9-24-01)

Aviation Layoffs		
Company	Layoffs	Employees
Major Airlines		
Alaska	0	9,531
AA/TWA	20,000	112,320
ATA	1,500	7,800
Amer. West	2,000	12,187
Continental	12,000	42,468
Delta	13,000	71,338
Northwest	10,000	51,551
Southwest	0	28,671
United	20,000	95,327
US Airways	11,000	42,652
Other Aviation Companies		
Boeing	<u>30,000</u>	<u>198,000</u>
Total	119,500	671,845

(Figures from various sources)

AIRLINE WAR INSURANCE CANCELLED

Insurers notified airlines that war insurance coverage was cancelled effective 25 September. Airlines are now expected to renegotiate new insurance contracts for coverage related to war and

terrorism, and risk premiums are likely to rise. Singapore Airlines will impose a war surcharge of US\$1.25 a passenger as part of passenger liability coverage. (WSJ, 9-21-01)

✈ AIRPORT SECURITY

FAA RECRUITS SKY MARSHALS TO DEFEND AGAINST LATEST THREAT

FAA has launched its new recruiting program for Federal Air Marshals (FAM) to fly as armed guards aboard U.S. domestic and international flights. The aggressive campaign comes amid a new and expanded threat to the aviation system and demands by airlines and the government to boost inflight security. According to the job description, the FAMs are authorized to carry firearms and make arrests, "while preserving the safety of aircraft, crew and passengers." The job requires some law enforcement experience. Sky Marshals, as they are often known, have been a part of the FAA's anti-terrorist program for more than 30 years. The size of the force is classified since the original deployment of 18 volunteers took to the skies in 1962 to defend against a rash of hijackings related to Cuba. The force was expanded in 1970, when 1,500 U.S. Customs Service officers and 800 military personnel were added. After the 1985 hijacking of TWA Flight 847 in the Middle East, the Sky Marshal program was further expanded. (AD, 9-24-01)

SOUTHWEST FEELING NO PAIN FROM SECURITY RESTRICTIONS

Southwest's Chief Financial Officer Gary Kelly maintains that the recent security enhancements haven't affected turn times. During the past week, he said, the airline was "able to handle these new security procedures very, very smoothly." (WSJ, 9-25-01)

PAN AMERICAN FIRST AIRLINE TO BAN CARRY-ON BAGGAGE FROM FLIGHTS

Pan American Airways became the first airline to ban almost all carry-on baggage from its flights to enhance security and convenience. Effective immediately, Pan Am passengers will be required to check all bags, including briefcases and laptop computers. Carry-on items will be limited to wallets, purses, and, for those traveling with infants, diaper bags. "The hallmark of the Pan Am experience has been the ability of our passengers to enjoy the ease and comfort of traveling through airports that are less crowded and more customer-friendly," said President David Fink. (AD, 9-26-01)

✈ AIR TRAFFIC

REAGAN NATIONAL AIRPORT CLOSURES TERMINAL TO PUBLIC

Reagan National Airport was locked to the public last week and will remain shut until a decision is made on whether flights can resume, a spokeswoman said this morning. National, which normally serves 45,000 passengers a day, is the only major airport in the country still shutdown after the Sept. 11 terrorist attacks. U.S. Transportation Secretary Norman Y. Mineta said during a Senate hearing Thursday that the Secret Service and National Security Council are making the decision on when – or whether – National will reopen and that he has been given no timetable for a decision. Tara Hamilton, a spokeswoman for the Metropolitan Washington Airports Authority, said the airport will remain locked to all but employees with security badges until airport officials are granted permission to reopen. (WP, 9-24-01)

CARRIERS SEE TINY UPTICK IN TRAVELERS

The nation's four biggest carriers--AMR Corp.'s American Airlines, UAL Corp.'s United Airlines, Delta Air Lines Inc. and Northwest Airlines Inc.--all said that they have filled more seats recently, but still far too few to operate profitably. John Hotard, a spokesman for American

Airlines, said that in the last few days, American has flown only about one-third of the nearly 250,000 passengers it averaged daily before the Sept. 11 terrorist attacks. Still, he said, the percentage of filled seats on American's planes crept up from 47% on Thursday, to 50% on Friday and 52% on Saturday. At the same time, American is restoring more service every day and plans to continue until it reaches 2,000 daily flights, possibly by early this week. That new level of service is down from the pre-attacks level of 2,500 daily flights, reflecting the 20% to 25% retrenchments announced by carriers throughout the industry. The slightly improving situation was apparent at other major carriers, too. When Northwest Airlines began flying its new daily package of 1,400 flights last Monday--down from the pre-attacks level of 1,700--passengers filled about 50% of the carrier's seats. Over the weekend, the level appeared to be up to 54% or 55%, said Northwest spokesman Doug Killian. (LA, 9-25-01)

AIR CARRIERS REMAIN RELUCTANT TO LOWER PASSENGER FARES

Despite a plunge of as much as 50 percent in passenger traffic, the nation's major airlines have been reluctant to lower fares in the wake of this month's terrorist attacks. Some bargains are being offered online by travel wholesalers and by small carriers, but the large fare sales that many analysts predicted have not yet materialized. The reason, airline executives said, is that fares had already been discounted heavily even before the attacks to try to counter an industry slowdown. But in the wake of the attacks, which involved four hijacked planes, many airlines are convinced that people are not ready to return to the skies at any price. The major carriers have begun carrying out 20 percent cuts in schedules announced last week to trim costs and match supply and demand. Some are cutting routes that were unprofitable before this month, or replacing large jets with smaller regional jets. But most are simply reducing the number of flights on existing routes rather than eliminating service. Many airline executives are convinced that the passengers will return, so they are trying to avoid cutting schedules too deeply and to protect their lucrative hubs. (NYT, 9-26-01)

✈ RENTAL CAR INDUSTRY

INDUSTRY BEGINS LOBBYING FOR FEDERAL ASSISTANCE

Budget Group, ANC Rental Corp., Thrifty Rent-A-Car System and the Association for Car and Truck Rental Independents and Franchisees (ACTIF) have formed a coalition to lobby for federal assistance in the wake of the terrorist attacks. "In reviewing the airline industry's projections, airport operators are expected to sustain a decline in passenger traffic ranging from 25% to 60% over the next nine months," said Michael Towers, vice president of legal and legislative affairs for ACTIF. "I am certain all our fleet management personnel are working night and day to reduce fleet sizes. However, many operators are tied to repurchase programs limiting their effectiveness. In addition, there is going to be a point where the reduced revenue stream will not support their basic infrastructure cash requirements." The coalition has retained two firms to assist in the lobbying efforts, Towers said. Efforts will focus on securing low-interest, federally guaranteed loans. "These low-interest loans will give much needed relief to many operators by reducing vehicle holding costs and will possibly be used to consolidate other debt," Towers said. "We need this assistance for our industry to be a viable part of this nation's transportation network." (ARN, 9-25-01)

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