

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

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✈ FINANCIAL STATE OF AVIATION INDUSTRY

SWISSAIR GROUP COULD BE BANKRUPT WITHIN DAYS AS LOSSES INCREASE

Swissair Group could go out of business within the next few days if a last-minute rescue initiative fails to materialize. The group has lost \$1.83 billion in 2000 due to its disastrous expansion strategy and is suffering additionally because of the global airline crisis. Swissair Group lost at least \$40 million since Sept. 11, and losses are continuing. Its equity was down to \$349 million at the end of June (equity ratio 2.5%). In August, the company had to transfer \$271 million to its German subsidiary LTU, when a loan became due and was not renewed. (AD, 9-28-01)

LUFTHANSA CUTS FLIGHTS TO THE U.S., RAISES PRICES

Lufthansa Friday announced cutbacks in its flights to the U.S. and said it will introduce a supplemental charge of \$8 for each one-way ticket and \$16 for each round-trip ticket starting Oct. 1. The surcharge is being introduced to cover increased security costs, insurance premiums and other expenses following the terrorist attacks in the U.S., the airline said. Also as a direct result of the attacks, Lufthansa is cutting its seat capacity by about 20%, which will result in 28 aircraft being grounded. Lufthansa had already grounded 20 of its 236 aircraft earlier this month. Insurers cancelled German airlines' coverage for war and terrorism after the attacks, and say they can no longer offer the standard \$1 billion per plane in coverage. They later offered \$150 million, which the airlines say is not enough for them to fly. The German government is currently covering airlines for war and terrorism while the airlines and insurance companies seek a private-sector solution. Earlier this month, the airline put on hold plans to buy new jumbo jets from Airbus and Boeing and froze hiring. (WSJ, 9-28-01)

✈ AIRPORT SECURITY

BUSH PROMISES U.S. MANAGEMENT OF NATION'S AIRPORT SECURITY

President Bush said yesterday he will work with Congress to put the U.S. government in charge of airport security and screening services, although this does not necessarily mean that much of the work would be performed by federal workers. The President said that in the meantime he will ask state governors to station National Guard troops at federal expense at airport inspection stations, particularly at airports needing help with security. The FAA's sky marshal program will be "dramatically" expanded and, effective Oct. 1, a fund of \$500 million will be established to finance aircraft modifications to delay or deny access to the cockpit, he said. The \$500 million in funding may be provided through grants or cost-sharing arrangements and will be used for a number of projects besides restricting cockpit access. These include alerting flight crews, possibly by video monitors in the cockpit, to troubles in the cabin, and ensuring that transponders cannot be switched off from the cockpit. In addition, technologies will be explored to permit controllers to take over distressed aircraft and land them by "remote control." (AD, 9-28-01)

U.S. MARSHALS ARE LINKED TO REOPENING OF AN AIRPORT

As pressure builds to reopen Ronald Reagan National Airport, the only airport still out of service, Transportation Secretary Norman Y. Mineta said today that he would back a plan to place federal marshals on every flight using the airport as a requirement to reopen it. The decision to close the

airport, in suburban Virginia, either temporarily or indefinitely, has battered the area's economy, prompted thousands of layoffs and angered just about every lawmaker on Capitol Hill, most of whom regularly use Reagan National to get home. (NYT, 9-28-01)

✈ RENTAL CAR

ONE-WAY TRIPS LEAVE RENTAL CARS ADRIFT; COMPANIES TRY TO REBUILD THEIR FLEETS

Rental-car companies are trying to relocate thousands of displaced vehicles, including those left in remote areas like Ogden, Utah, and some that simply were abandoned in parking lots across the country. Some rental-car companies are recruiting employees to get orphaned cars back "home" or are slashing prices on one-way rentals to stimulate that segment of the business. Others are spending thousands on transporter services and tow trucks with flatbeds. Some companies are selling displaced cars or returning them to the manufacturer. Already, ANC Rental Corp., owner of National and Alamo brands, Dollar Thrifty's Dollar Rent A Car Systems and Thrifty Car Rental, Enterprise Rent-A-Car Co. and Cendant Corp.'s Avis Group Holdings have all said they plan to cancel or defer orders for new cars. ANC has been particularly hurt by the travel slowdown because 90% of its business comes from airline passengers. The company said Monday it plans to reduce its fleet by 25% to 35% through returns to manufacturers and canceled shipments of new cars. The company also said it is reviewing other options, including seeking U.S. government assistance. (WSJ, 9-28-01)

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