

## **JOHN F. BROWN COMPANY EMAIL NEWSLETTER**

*Consultants to the Airport Industry*

15 January 2002

### **✈ FINANCIAL STATE OF AVIATION INDUSTRY**

#### **AMERICA WEST SATISFIES LOAN GUARANTEE CONDITION**

Summarized from Reuters, and America West press release, 1-14-02:

America West announced that the Air Transportation Stabilization Board (ATSB) has notified the company that it has satisfied two primary conditions for approval of approximately \$380 million in federal loan guarantees, paving the way for the company to close the loan totaled \$429 million and another \$600 million in concessions, financing and assistance. ATSB approval of the loan guarantee was subject to an increase in the amount of compensation to the federal government and a commitment on labor cost control. America West anticipates the transaction closing, and the loan being funded, later this week.

#### **UNITED CEO PUSHES PAY CUT ISSUE**

Summarized from the Denver Post, 1-15-02:

United CEO Jack Creighton deems billions of dollars in pay cuts as vital to the financial recovery of the carrier. However, representatives of the mechanics' and flight attendants' unions have stated their unwillingness to discuss pay cuts, and a pilots' union spokesman has been unavailable for comment. While Creighton states, "The company cannot recover if the union leaders don't determine among themselves how the employee groups will contribute to the savings," Jeff Zack, Association of Flight Attendants spokesman replies, "We have a contract. We'll be glad to talk to them about how they can fix United's problems, but we're not talking about concessions." A further complication is a possible strike by United's mechanics on February 20, if new contract terms are not ironed out. On Saturday, a presidentially appointed board will propose a settlement, which either side may reject. At that point, Congress could intervene and impose a settlement. The mechanics took pay cuts in 1994, and did not see pay at 1994 levels again until mid-2000, which is why they are now seeking a raise. The bottom line, however, is that United lost \$1.8 billion during the first nine months of 2001; and cost control is a key element of recovery.

#### **CONTINENTAL EXEC SEES REBUILDING YEAR FOR AIRLINES**

Summarized from the Newark Star-Ledger, 1-13-02:

Jeff Misner, CFO of Continental Airlines Inc., considers 2002 to be a year of rebuilding. He believes that Continental will be one of the early hub-and-spoke carriers to make a profit. "If Gordon (CEO Gordon Bethune) says we're going to do it, we're going to do it," he states. However, he expressed concern on declining yield and other uncertainties including economic conditions and competitors' behavior. "I think people will be rational and not just go out and run over the top of each other with way too much capacity."

#### **JETBLUE ORDERS 10 AIRBUS A320S**

Summarized from JetBlue Airways press release, 1-14-02:

JetBlue Airways, New York's low-fare airline, has signed a contract with Airbus for an additional 10 A320s, valued at more than \$500 million. JetBlue is one of the few U.S. carriers that has not deferred aircraft orders. The company is expecting to take delivery of 52 A320s from 2002 to

2005. “Despite the airline industry’s current climate, JetBlue is moving forward with its original controlled growth business plan,” said David Neeleman, JetBlue’s CEO.

## **✈ AIRPORT SECURITY**

### **BAG MATCHING DEADLINE LOOMS**

Summarized from the New York Times, 1-15-02:

Carriers are scrambling to meet a Friday deadline to begin screening all checked baggage. Carriers have the option of using explosive detection equipment, manual searches, sniffer dogs, or the technique of matching bags to passengers aboard the aircraft to meet this requirement. Due to the current undersupply and expense of explosive detection equipment and sniffer dogs, and the high manpower needs to search bags manually, most airlines will probably be relying heavily upon bag matching. Bag matching is considered an interim tactic until a December 31, 2002 deadline by which all bags will need to pass through explosive detection equipment.