

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

*Consultants to the Airport Industry*

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

#### **AA AND BA REJECT DOT ANTITRUST IMMUNITY CONDITIONS**

Summarized from CBS MarketWatch and DOT Press Release, 1-25-02:

Executives of American Airlines and British Airways rebuffed the terms the Department of Transportation placed on its antitrust immunity approval for the two carriers. DOT was looking for the two airlines to give up slots at London Heathrow to competitors. However, executives from American Airline and British Airways announced that they would not "acquiesce to unrealistic and, in our view, unnecessary demands". DOT Secretary Normal Mineta issued another statement, claiming that the conditions paralleled those suggested by the U.S. Department of Justice to protect consumer interests and competition.

#### **HOPES FOR US-UK OPEN SKIES FADE**

Summarized from Reuters, 1-25-02:

Following the rejection of antitrust immunity conditions by American Airlines and British Airways, government officials from the U.S. and the U.K. cancelled air service talks. Talks on improving air access, or Open Skies, between the two countries were scheduled for January 28. No future talks have been scheduled.

#### **UAL'S AVOLAR SEES END WITHOUT INVESTORS**

Summarized from Chicago Sun-Times, 1-28-02:

Avolar, United Airlines' fledgling fractional-ownership biz-jet unit, might cease to exist if the airline doesn't find investors in the next two months, John Creighton, United's CEO, said. However, Avolar's president, Stuart Oran, announced that the company was "a few weeks away" from announcing a deal involving majority ownership of Avolar. Industry experts speculate that investors might be reluctant to invest in Avolar during the ongoing recession.

#### **UNITED CAVES, OFFERS MECHANICS 37% RAISE**

Summarized from Reuters, 1-22-02:

United Airlines acquiesced to the recommendations made by a Presidential Emergency Board, including a recommendation to raise pay rates for its mechanics as much as 37 percent. The airline had expressed "serious reservations" with the recommendations, but decided to accept them in an effort to avoid a strike by mechanics. United mechanics have been working without a pay increase since 1994 and have authorized a strike that could begin as early as February 20. The mechanics are expected to vote on the offer from United by early February.

### **✈ AIR TRAFFIC**

#### **FORSAKEN FURLOUGHES**

Summarized from America West press release, 1-24-02, and the Associated Press, 1-22-02:

America West has announced that it will be bringing back 75 furloughed pilots this coming February and March, to support a projected traffic increase. America West has already brought

back 650 employees since the layoffs that followed the September 11 attacks. The airline had cut its capacity by roughly 20 percent, like most other major carriers, and is currently in the process of reinstating many of those cut flights. Similarly, American Trans Air has brought back over 600 of its 1,100 furloughed employees, including all of its furloughed flight attendants.

### **AIR TRAVEL BARGAINS AVAILABLE**

Summarized from the Wall Street Journal, 1-29-02:

With low travel demand to Europe, carriers and hotels are slashing prices to lure vacationers. International airfares dropped 13.8 percent in December, according to the Air Transport Association. Despite the lower fares, almost one-fourth of the seats were empty. Elaine Newnham, president of Time to Travel in Orlando, Fla., said her agency has booked 80 percent fewer reservations this month, even though rates to Europe are 30% to 40% cheaper this year. Four- and five-star hotels have also reduced rates and offered extras in an effort to bring in leisure travelers. Radisson SAS Hotels & Resorts is discounting rates at its 100 properties in Europe through March 31, as much as 46 percent at its hotel in Prague.

### **✈ RENTAL CAR INDUSTRY**

#### **ALAMO AND NATIONAL CAR RENTAL SEEK “DUAL-BRANDING”**

Summarized from John F. Brown Company, 1-29-02:

Alamo and National Car Rental Companies and their parent company, ANC Rental Corporation, filed for Chapter 11 Bankruptcy protection in November 2001. As part of their reorganization strategy, ANC Rental Corporation is contacting numerous airports to request that existing National and Alamo rental car concession and lease agreements be assigned to ANC. Further, ANC is requesting that airports agree to allow ANC to operate the Alamo and National brands jointly from the same premises. This concept is known as “dual-branding”. Cincinnati/Northern Kentucky International Airport recently approved ANC’s request, subject to conditions. This approval was opposed by the other car rental concessionaries at Cincinnati, with one competitor filing suit to attempt to block the approval. At other airports, rental concessionaires have promised to vigorously oppose this strategy.

The John F. Brown Company Rental Car Practice consists of former rental car properties executives and former airport executives who are experienced in dealing with the universe of rental car issues. Please feel free to contact:

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