

JOHN F. BROWN COMPANY EMAIL NEWSLETTER
Consultants to the Airport Industry

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✈ FINANCIAL STATE OF AVIATION INDUSTRY

UNITED MECHANICS SUE TO BLOCK BUSH PANEL, IN MOVE TOWARD STRIKE

Summarized from the Associated Press, 1-7-02:

The International Association of Machinists and Aerospace Workers Union, representing 15,000 United mechanics, filed suit Monday to block an emergency panel established by President Bush that delayed the union from striking last month. The union had been set to strike the weekend before Christmas after the failure to reach agreement with United Airlines. The lawsuit claims the National Mediation board did not meet a legal threshold when it recommended the panel to Bush. Overturning Bush's order would clear the way for the union to strike.

MORGAN STANLEY ANALYSTS DIFFER ON DIRECTION OF THE U.S. ECONOMY

Summarized from the Wall Street Journal, 1-8-02:

Richard Berner, Morgan Stanley's chief U.S. economist, issued a report on Thursday declaring end of recession, citing strong consumer spending and recovery on capital spending as evidences. However, Stephen Roach, Morgan Stanley's chief global economist, warned Monday that the U.S. may likely head into a so-called double-dip recession in 2002, in which the economy begins contracting again after it rebounds. Mr. Roach believed that the strong consumer spending would end soon after cheap financing and deep discounts disappeared.

UNITED AIRLINES TO CLOSE FIVE RESERVATION OFFICES

Summarized from Bloomberg News, 1-3-02:

United Airline said that it would close four reservations offices in California and one in Illinois because of a soft economy, reduced flight schedule, and low sales. United has reduced flight and seat capacity about 23 percent and laid off 19,000 of its 100,000 workforce since September 11.

FEDERAL 9/11 FUND SEES SLOW PROGRESS

Summarized from the Wall Street Journal, 1-4-02:

Two weeks after the release of rules on compensating victims from a federal fund, only 66 out of roughly 3,000 possible claimants elected to participate. Congress created the fund in the aftermath of the attacks as part of a \$15 billion bailout bill for the airline industry that also sharply limited liability exposure for the two airlines and port authorities. Aviation lawyers say limits on damages for claims fall far short of court awards in disaster cases.

TRAVELOCITY ISSUED REVENUE WARNING, BLAMING STEEP FALL IN TRAVEL BOOKINGS

Summarized from the Wall Street Journal, 1-4-02:

Travel booking Website Travelocity.com Inc. lowered its revenue forecast by 9 percent for the fourth quarter, blaming the drop in sales after Sept. 11 terrorist attacks. Travelocity projected that revenue in the consumer-transaction segment would be 15 percent to 20 percent lower than previous forecast. However, company officials maintained a positive outlook for the new year, expecting year 2002 revenue to increase by 20 percent to 30 percent.

FAA APPROVED FEDEX FACILITY AT PIEDMONT AIRPORT

Summarized from Press Release of Piedmont Triad Partnership, 1-3-02:

The Federal Aviation Administration approved the construction of a proposed \$300 million air-cargo package-sorting center at Piedmont Triad International Airport, an integral component of FedEx's Cargo Hub. Local economic development organizations believed that the cargo hub would bring significant benefits to the local economy.

ATLANTIC COAST AIRLINES HOLDINGS, INC. COMPLETES 2002 RATE-SETTING PROCESS WITH UNITED AIRLINES

Summarized from Press Release of Atlantic Coast Airlines Holdings, Inc, 1-8-02:

Atlantic Coast Airlines (ACA) announced that it completed the annual rate-setting process with United Airlines. ACA provides connection service to both United and Delta. The company said that the renewed contract was consistent with previous agreement, which allowed ACA to recover operating expenses and earn a pre-determined profit margin plus performance-based incentives.

US AIRWAYS, AMERICA WEST FALL AFTER BARRON'S ARTICLE

Summarized from Reuters, 1-7-02:

Shares of US Airways and American West Airlines fell sharply after Barron's Business magazine suggested that major carriers may have suffered such serious damage from the weak economy and Sept. 11 attacks that they may not be around to benefit from an eventual recovery. Barron's also commented that even United Airlines may not survive due to its high cost structure and huge daily cash drain.

✈ AIR TRAFFIC

AIR-CARGO TRAFFIC SHOWS POSITIVE SIGNS

Summarized from Wall Street Journal, 1-4-02:

The Air Transport Association (ATA) announced that air-cargo volume fell 14.4 percent in November, a big improvement over the previous month's 23 percent decline. The aftereffect of Sept. 11 terrorist attack, including reduced flight schedule and tightened security measures, has prompted some shipping customers to steer more of their cargo to lower-priced trucks. ATA considered the November traffic to be a good sign that U.S. economy has rebounded a bit although industry analysts didn't expect this rebound to last long.

✈ CRUISE INDUSTRY

CRUISE LINES WILL WELCOME RECORD NUMBER OF SHIPS IN 2002

Summarized from Press Release of Cruise Line Int'l Association, 1-3-02:

Cruise Lines International Association (CLIA) announced that fifteen ships – accommodating 49 to 2,600 guests – will begin service in year 2002. CLIA remains positive on industry outlook. According to a recent research, nearly 90 percent vacationers said they are interested in cruising.