

JOHN F. BROWN COMPANY NEWSLETTER
Consultants to the Airport Industry

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LIMITED ANTI-TRUST IMMUNITY GRANTED TO HAWAIIAN AIRLINES

Summarized from the Associated Press, 10-1-02

Aloha Airlines and Hawaiian Airlines may work together to determine the number of passenger seats on inter-island flights, but not fares or schedules, according to a plan approved by DOT. This one-year anti-trust immunity comes in the wake of a failed merger between the two carriers in March and a steep decline in Japanese tourism following September 11. In support of the arrangement, the DOT cited "increased efficiency and reduced costs" while the DOJ objected on the basis of its potential impact on fares and service. The arrangement will be monitored by the DOT and by the Governor of Hawaii.

UNITED, US AIRWAYS CODE-SHARING AGREEMENT APPROVED

Summarized from the Associated Press, 10-2-02; Wall Street Journal, 10-3-02; DOT 10-2-02

On the belief that competition would increase and travelers would benefit, DOT approved a code-sharing arrangement between United and US Airways with the airlines agreeing to continue competing on fares. Notably, the government indicated that the arrangement would be closely monitored for any adverse effects on competition. Certain DOJ limitations to the agreement were accepted by the airlines, including a bar to "code-sharing on certain nonstop routes and pricing conduct that could provide a vehicle for signaling and collusion." The government's decision is available at <http://www.dot.gov/affairs/US-UAL.htm>.

SOUTHWEST'S ON-TIME PERFORMANCE SLIPS DUE TO POST-9/11 PROCEDURES

Summarized from the Wall Street Journal, 9-25-02

Southwest Airlines' on-time performance slipped over the summer with 22 percent of its flights falling behind schedule. The delays have been due mainly to new TSA procedures following September 11 as well as summer storms in the Midwest. Southwest's unreserved seating and group boarding policy have been problematic since, in the interests of equity, all passengers in each boarding group are held until the flagged passengers in the group have been screened; this allows the entire group to board together. The second factor affecting Southwest's performance is the new precaution of pulling checked baggage of no-show passengers prior to departure; the airline's planned minimal aircraft turn-around times leave little extra time for removing such baggage. Both factors were exacerbated by rising traffic levels during the summer. Southwest believes that new procedures have begun to reverse its summer slide.

TSA TESTING SECURITY CHANGE AIMED AT REDUCING "HASSLE FACTOR"

Summarized from the New York Times, 10-1-02; Wall Street Journal 10-2-02

In recognition of the "hassle factor" facing the flying public, the TSA said that it may eliminate the second round of passenger security checks at the gates, thus speeding passengers onto their flights. A pair of test programs implementing this change began last week at LAX Terminal 4 and at Long Beach, CA municipal airport, for flights on American and JetBlue.

AIRTRAN TO DEPLOY REGIONAL JETS AT ATL

Summarized from the Wall Street Journal, 9-27-02

AirTran on November 15 will begin using 50-seat regional jets at its Atlanta hub in an effort to enhance service on short-distance routes and while making its Boeing 717s available for longer routes. The aircraft will be operated for AirTran by Air Wisconsin, who provide regional jet service for United in Chicago and Denver. The smaller regional jet is used by Delta to compete against low-cost carriers such as AirTran.

REGIONAL AIRLINES EXPANDING

Summarized from Business Wire, 10-2-02

Regional airlines seem to be “upsizing” their services. A recent analysis by the Regional Air Service Initiative showed that over the last nine months, these airlines introduced almost 130 new routes using regional jets, and over half these routes are longer than 500 miles. Also, 17 70-seat regional jets have replaced smaller 30- to 50-seat jets on existing routes; this is the first deployment of the larger jets among regional air lines.

AMERICAN AIRLINES SHUTTLE SERVICE PROVOKES RESPONSE FROM DELTA, US AIRWAYS

Summarized from the Wall Street Journal, 10-2-02

In response to American Airlines’ introduction of shuttle service between DCA and LGA, US Airways and Delta are offering bonus miles to their passengers on the same route on flights leaving more than five minutes late (although departure from the gate on schedule followed by a delay on the runway would not qualify). The airlines are not competing on price.

NORTHWEST TO ELIMINATE 1,600 JOBS

Summarized from Reuters, 10-2-02; PRNewswire, 10-2-02

Northwest Airlines, citing weak post-September 11 demand as a “force majeure” event, plans to ask 1,600 flight-attendants (out of 43,000 total employees) to take voluntary leave or be furloughed. The union representing the affected workers disputes the relevance of September 11 in this matter. This follows Delta Air Lines’ announcement last week that 1,500 of its flight-attendant jobs would be eliminated.

AIRLINES REQUEST ASSISTANCE FOR DEALING WITH POST-9/11 MANDATES

Summarized from Wall Street Journal, 10-2-02, 9-25-02; Air Transport World 10-2-02

According to the airline request for federal relief, the government has fundamentally changed aviation economics and should compensate the industry for the costs it imposes. The plea is based on (1) lost customer revenues due to a “hassle factor” largely created by the government (\$2 billion); (2) expensive war risk insurance that is more properly a national security issue than an airline issue (\$1 billion); (3) unfunded aircraft security modifications mandated by Congress in the aftermath of September 11 (\$200 million); and (4) a \$10 per passenger security fee that airlines cannot realistically pass on to customers due to intense pricing pressures. Donald Carty, head of American Airlines, citing these factors, characterized the requested assistance not as a bailout but as “relief on new costs,” and suggested that a war with Iraq would be an additional burden on the already ailing airline industry.