

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

12 October 2001

✈ FINANCIAL STATE OF AVIATION INDUSTRY

AIRPORTS WANT CHANGES IN BONDS

Summarized from JFB newswire, 10-10-01:

Airports are seeking to amend existing laws to reduce their borrowing costs. Lower borrowing costs would provide immediate and substantial financial relief not only to airports but also to airlines. The current proposal would permit airports to reclassify all airport bonds as governmental bonds instead of private activity bonds, thereby enabling airports to issue bonds at lower interest rates and to advance refund outstanding bonds in order to take advantage of the current low interest rate environment.

The AAAE/ACI-NA Legislative Affairs Committee is collecting airport signatures for a letter to Congress drafted by The Bond Market Association that addresses the airport bond issue. For those AAAE/ACI-NA members with passwords to the “members only” portions of their websites, that letter can be found at:

<http://www.airportnet.org/secure/federal/alerts/2001/a1010letter.htm>

Others may receive the text of the letter by e-mailing requests to either elaing@johnfbrown.com or jgasser@johnfbrown.com. Contrary to the deadline cited on this link, there may still be time to sign on before the letter is sent to Congress. Those wishing to sign are asked to contact Leigha Shaw at (703) 824-0500 ext. 187, while questions about letter content should be directed to Todd Hauptli at (703) 824-0500 ext. 145.

GAO CALLS FOR CLOSER LOOK BEFORE AIRLINE GRANTS ARE RELEASED

Summarized from the Wall Street Journal, 10-10-01:

The GAO and other federal officials are urging the DOT to hold off on releasing airline grant money until auditors have verified airline losses. The DOT has already released \$2.4 billion in funding, with another \$2.6 billion planned. Airlines are arguing that the need for cash is now and that further delays will only cause additional harm to the industry. The GAO has determined that the industry estimated losses without taking into account potential savings. The GAO estimates the Sept. 11 attacks will cost the industry between \$6.5 billion and \$10.5 billion by the end of the year.

EU AIRLINES TO GET LIMITED AID

Summarized from Reuters, 10-10-01:

The European Union opted to approve a limited set of financial aid measures states could take to assist European airlines. The measures include paying for the cost of higher insurance premiums to year end, covering the cost of increased security, and compensating airlines for direct losses attributed to the closure of U.S. airspace following the Sept. 11 attacks. The EU left open the option of approving additional aid later. U.S. airspace was closed to foreign airlines for four days following the attack.

SOME AIRLINES MAY FORGO LOANS

Summarized from the Financial Times, 10-8-01:

Only five of the 10 largest U.S. carriers will apply for government loan guarantees, according to the Air Transport Association. Southwest Airlines said it does not need the loan guarantees. Continental Airlines indicated that it would attempt to obtain loans without government backing first, and turn to government guarantees only if that didn't work. One analyst commented that airlines were concerned over dilution to current shareholders since the government could ask for warrants as part of the loan guarantees.

POSSIBLE \$7 BILLION AIRLINE LOSSES

Summarized from Aviation Daily, 10-10-01:

According to IATA estimates, the global airline industry could face losses as steep as \$7 billion on scheduled services. Prior to September 11th, IATA had been estimating losses of roughly \$2.5 billion.

✈ AIRPORT SECURITY

AIRLINES SECURITY FAILS TESTING

Summarized from the Associated Press, 10-12-01:

A test of seven of the nation's 20 highest-risk airports recently determined that many security firms were not complying with directives to run all bags through bomb detection machines. Kenneth M. Mead, DOT inspector general, said the bomb detection machines were screening far fewer bags than they were designed to, partly because airlines feared passengers would not put up with the extra delays. The Air Transport Association claimed air carriers were simply doing what they were instructed to do by the FAA. One of the recent changes was an FAA requirement to make "continuous use" of bomb detection equipment.

FAA STREAMLINES PROCEDURES

Summarized from Aviation Daily, 10-10-01:

The FAA has drafted and released Special Federal Aviation Regulation (SFAR) No. 92 which, in effect, immediately suspends certain other FARs. The intent of the new SFAR is to provide for a quicker process of improving cockpit security by sidestepping certain approval processes. In fact, United has already submitted engineering plans to the FAA for cockpit security bars that it intends to install on its fleet by October 21.

HEATHROW TO DEPLOY EYE-SCANNING ID TECHNOLOGY

Summarized from Reuters, 10-11-01:

Certain frequent flyers passing through London's Heathrow Airport will be identified with iris-scanning cameras. Airport operator BAA, British Airways, and Virgin Atlantic, along with immigration officials are working together to permit some 2,000 passengers to pass through passport control after a special camera scans their eye and compares the image to a database. The technology will initially be deployed next month in two of the airport's four terminals. The system will eventually serve all four terminals. Experts say the chances of a misidentification are one in 7 billion.

ORACLE SUPPORTS AN ID CARD STANDARD

Summarized from Newsweek, 10-15-01; and Aviation Daily, 10-11-01:

Oracle's CEO, Larry Ellison, has offered to donate the software necessary to run a database for use with a national ID card program. Ellison believes the time has come to establish standards for ID cards. Such cards could employ a photo ID and a microchip linked to a database with biometric information necessary to positively identify an individual. While applying for a card such as this could be voluntary, it would be difficult to do certain things such as flying, driving, or getting into certain buildings without one. Additionally, these cards could be used to track an individual's health history. Chicago's O'Hare International and Midway Airport plan to implement a fingerprint-based ID card system sometime this fall.

LATIN AND CARIBBEAN AIRPORTS TO RECEIVE LOANS

Summarized from Aviation Daily, 10-11-01:

The Inter-American Development Bank (IDB) announced the availability of up to \$20 million in loans for Latin American and Caribbean governments to be used for the upgrading and improvement of airport security.

✈ AIR TRAFFIC

JAL DECREASES FLIGHTS TO THE AMERICAS

Summarized from Aviation Daily, 10-10-01:

Japan Airlines intends to cut flight service to North and South America but nearly one quarter, in response to a dramatic drop in demand. Schedule changes are expected to be temporary, and will be primarily focused on those routes with multiple frequencies.

MEIGS OPEN, FOR NOW

Summarized from the Chicago Tribune, 10-11-01:

Meigs Field, in Chicago, has resumed IFR flight operations today. VFR flights are still excluded from operations, in effect barring most flights operated by private pilots. However, Mayor Richard Daley still intends to move forward with plans to close the airport by February and turn it into a park.