

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

*Consultants to the Airport Industry*

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

#### **UNITED CEO WARNS AIRLINE MAY 'PERISH'**

Summarized from the Associated Press, 10-16-01:

United Airline's CEO James Goodwin stated that the carrier would fail next year if drastic changes weren't made. He made these revelations in a letter intended to be sent to employees that was prematurely leaked, said Joe Hopkins, United spokesman. "Before September 11 we were not in a comfortable financial state, with costs exceeding our revenue on a daily basis," Goodwin wrote. "Today, the situation is exacerbated with costs exceeding revenues at four times the pre-September 11 rate. Today, we are literally hemorrhaging money. Clearly this bleeding has to be stopped - and soon - or United will perish sometime next year." So far, United has received about \$390 million of the expected \$800 million in federal grants.

#### **EUROPEAN CARRIERS IN DISAGREEMENT**

Summarized from the New York Times, 10-16-01; and the Times of London, 10-17-01:

Increasing discord is becoming evident within the European airline industry as transatlantic travel has plummeted 30 percent and air travel within Europe has sunk 10 percent. Major carriers like British Air and Lufthansa, that have supported mergers involving Europe's weakest airlines, as well as low-cost Ryanair, have been vocal in their opposition to government airline subsidies. At the same time, many European governments are feeling pressure to rescue struggling national airlines. For example, the EU has approved a \$115 loan from the Belgian government to Sabena. Furthermore, European carriers competing on trans-Atlantic routes are stating that the U.S. airline bailout is inhibiting their capability to be cost competitive on those routes.

#### **DENVER CUTS CONCESSIONAIRES A BREAK**

Summarized from the Denver Post, 10-16-01:

Denver International Airport is absolving concessionaires of three days of rent in September, reflecting the time the airline industry was grounded by the government. The events of September 11 have prompted the airport to allow concessionaires to cancel their leases without penalty, as well as offering \$4 million in loans at 2 percent interest. Airport staff plan to review the airport business plan in light of the recent changes in security.

#### **EUROPEAN AIRPORTS NEED INSURANCE**

Summarized from Airports, 10-16-01:

Airports Council International-Europe is asking governments of Europe to extend airports' insurance coverage for war and terrorism. ACI said that prior to Sept. 11, airports were insured for \$1 billion per incident. Now, maximum coverage offered is only \$50 million per incident. Governments of the 15 European Union states have provided interim coverage for airports, but that is expected to expire in a week and there are no indications that it will be extended. An ACI spokesman said airports will be forced to shut down if nothing is done about the lack of insurance coverage.

## **✈ AIRPORT SECURITY**

### **RAA WANTS FEDERALIZED SECURITY**

Summarized from Airports, 10-16-01:

The Regional Airline Association is urging the government to federalize airport security at all airports. The RAA is concerned that the high cost of new security directives will have the greatest impact on smaller airports, where airlines often perform security themselves rather than outsource it. Federalizing airport security would free airlines from the burdensome insurance and security costs associated with security checkpoints.

### **JETBLUE TO EXCEED FAA SECURITY STANDARDS**

Summarized from Aviation Daily, 10-16-01:

JetBlue will spend more than \$200,000 to exceed FAA security requirements by installing bulletproof, Kevlar-reinforced cockpit doors with titanium deadbolts on its entire fleet. Next year it expects to install four video monitors on each aircraft that will provide live video of the passenger cabin to pilots, and perhaps to flight dispatch on the ground.

## **✈ AIR TRAFFIC**

### **UNITED TO REDUCE LAX SERVICE FURTHER**

Summarized from the Los Angeles Times, 10-16-01:

United, the largest carrier at Los Angeles International Airport, will soon be operating with 40% fewer flights than it had prior to the September 11<sup>th</sup> attacks. United's daily LAX departures, already reduced to 144 from 178, will be further cut to 104 on October 31<sup>st</sup>, according to Joe Hopkins, company spokesman. Worldwide, United daily departures will fall to 1,654 from 2,400. Experts predict this would decimate travel between San Francisco and Southern California.

### **DELTA CUTS PACIFIC ROUTES**

Summarized from Air Transport World, 10-17-01:

Delta Air Lines will cancel its services to Nagoya and Tokyo from Los Angeles and New York on December 1. The carrier will instead focus its Asian growth on alliances with Korean Air, China Southern, and possibly others. Last year, Delta generated about \$300 million in revenue from transpacific routes, compared to \$450 million for Latin American routes, and \$2 billion in the transatlantic market.

### **BOEING TO SLASH PRODUCTION RATES**

Summarized from the Seattle Times, 10-17-01:

According to documents obtained from Boeing suppliers, the aircraft manufacturer will cut production of its five major models from 43 per month to 23 per month. The hardest hit model, the 737, will drop from 28 aircraft per month down to 14 per month. Boeing did not comment on the report.