

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

Friday, October 25, 2002

WHEN WILL THE AIRLINE INDUSTRY RECOVER?

Summarized from Minneapolis Star-Tribune and others, 10/23/2002:

Doug Steenland, of Northwest, reportedly "foresees a gradual financial recovery over several years." Leo Mullin, Delta's Chairman and CEO has said "It continues to be a depressed revenue picture in the industry that we anticipate will continue for an extended period of time... until the end of 2003." And James Parker, Southwest's CEO, said recently "I don't expect the industry to recover to 2000 levels next year, and maybe not in 2004." [Additional sources: The Wall Street Journal, 10/16; The Arizona Republic, 10/16.]

DIA WORKERS TO BE ELECTRONICALLY FINGERPRINTED EACH DAY

Summarized from The Denver Post, 10/18/2002:

DIA, which already exceeds post-September 11 federal security regulations, plans to further increase security while saving \$1.7 million dollars a year in salary costs. As part of DIA's new perimeter security plan, a reportedly "very accurate," "very reliable" fingerprint recognition system costing about \$50,000 will replace reliance on photo-id for screening employees who work in secure areas, including flight crews.

AIRPORT SECURITY DEADLINE NEARS

Summarized from The Washington Post and others, 10/18/2002:

With the December 31 deadline looming for EDS screening of all checked baggage, and because Congress is unlikely to act on any extension of that deadline until after the November elections, the TSA is focusing its efforts on meeting the deadline. Currently, 39 airports have EDS devices in place, and half of the nation's 429 airports have installation plans already approved by the TSA. Despite this progress, the approach of the holiday travel season is giving some airport managers visions of "chaotically long waits" for airline passengers due to baggage screening. Congress reconvenes on November 12 and may relax the deadline for deploying EDS. TSA plans to use bomb-sniffing dogs, hand searches, bomb swabs, and bag matching if ETD/EDS systems are not available. [Additional sources: The Star-Telegram, 10/23; The Oakland Tribune, 10/24.]



DOT FURTHER EXTENDS REVIEW OF DELTA, CONTINENTAL ALLIANCE

Summarized from The Wall Street Journal, 10/22/2002:

The DOT again extended its review period for the proposed codesharing agreement between Delta, Continental, and Northwest by 30 days. The DOT feels that there are issues involved that "are important and require careful consideration." They twice extended their review period in the codesharing agreement between United and US Airways before approving it earlier this month. They are consulting with the DOJ in their review.

FARE WARS HIT THE JET SET: SHARING AN AIRPLANE FOR LESS

Summarized from The Wall Street Journal, 10/23/2002:

In contrast to the high costs of fractional jet ownership, charter jet membership programs offer a less expensive entrée into the private-jet market. eBizJets and Skyjet (a unit of Bombardier) already offer jet membership programs. And although UAL and AMR have both unsuccessfully tested the fractional jet ownership markets, Delta is expected to announce this month a membership program using 280 business jets. Its tentative membership prices range as low as \$88,000, an amount that compares favorably to the mid-six-figure costs of fractional jet ownership.

US SEEKS NEW APEC SHIPPING GUIDELINES

Summarized from The Wall Street Journal, 10/23/2002:

Secretary Mineta presented US-designed shipping guidelines to the Asia-Pacific Economic Cooperation (APEC) forum. These guidelines are a response to the terrorist threat to international trade, and include such measures as standardization of customs information, electronic seals on shipping containers, more stringent baggage screening at airports, and reinforced cockpits on airliners. Mineta indicated that unreinforced aircraft would be barred from US airports. Although many of the items in his proposal have 2003 deadlines (a timetable that is ambitious for many APEC nations), the US will offer developing APEC nations technical assistance and perhaps funding to help cover the costs of these changes.

UNITED APPLIES FOR FEDERAL GUARANTEES AGAIN

Summarized from The Washington Post, 10/24/2002:

In applying again for federal loan guarantees from the ATSB, United indicated that it plans to reduce its number of flights by 12 percent next year and cancel \$1.2 billion in capital spending in the 2003 - 2005 period. Another component of the plan is to reduce labor costs by \$5.8 billion over the next five years. The airline has been negotiating with its labor unions for some time on this issue.



MORE BELT-TIGHTENING BY AIRLINES

Summarized from The New York Times and others, 10/22/2002:

In the days leading up to its revised loan application, United indicated that it will: close an Indianapolis maintenance facility; close reservation offices in San Francisco, Long Beach, and Indianapolis; and switch from larger aircraft to regional jets in some markets. These measures are expected to cut about 1,250 jobs. Delta announced that it will: close five flight attendant bases (in New Orleans, Chicago, Houston, Portland, and Seattle); phase out all 15 of its MD-11s in 2003, replacing them with smaller aircraft; defer delivery of 29 Boeing aircraft originally to be delivered through 2004; cancel flights to Rio de Janeiro and Buenos Aires; and eliminate up to 8,000 more jobs (1,500 of which would be flight attendant positions).

Last week, Northwest said that it will: furlough 63 additional pilots (bringing the number furloughed to 630); close facilities in Atlanta and Long Beach, losing 100 management positions; and close three ticket offices. At the same time, American announced that it will: defer delivery of 34 aircraft until 2005 and ground 42 others; and reduce its workforce from its current level of 111,000 down to 93,000 by early 2004, a loss of 18,000 jobs. [Additional sources: The Wall Street Journal 10/15, 10/16; The Washington Post, 10/18; USA Today, 10/16.]