

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

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✈ FINANCIAL STATE OF AVIATION INDUSTRY

US AIRWAYS SCARES THE DAYLIGHTS OUT OF WALL STREET WITH \$766 MILLION LOSS

Summarized from the Associated Press, 10-30-01:

US Airways posted a \$766 million loss for its third quarter, or \$11.42 per share. Excluding unusual items, the airline lost \$433 million, or \$6.45 per share, which exceeded analysts' expectations of \$4.36 per share. US Airways president Rakesh Gangwal said the September 11 attack hurt the airline, especially with the prolonged closure of Washington's Reagan National Airport. However, he said the event allowed the airline to invoke force majeure clauses in union contracts and cut unprofitable routes. At least one union has already filed a series of grievances against the airline related to its use of the force majeure clause. The first of these will likely be heard by the National Mediation Board in December. The airline announced it was eliminating its MetroJet service by December.

QUICK ECONOMIC RECOVERY APPEARS TO HAVE GHOST OF A CHANCE

Summarized from the Associated Press, 10-31-01:

The slowdown in the economy and the September 11 terrorist attack resulted in a contraction of the gross domestic product for the third quarter. Reduced consumer spending, the worst in more than eight years, and reduced investment by business contributed to the 0.4 percent drop in GDP. Adding to recession concerns are the figures released last Tuesday indicating consumer confidence fell to a seven-year low. Many analysts predict an even sharper decline in GDP of 1 percent or more for the fourth quarter.

OTHER SPOOKY EARNINGS REPORTS

Summarized from Reuters, Airborne, and Mesaba Airlines, 10-31-01:

America West Airlines reported a third-quarter loss of \$31.7 million, or 94 cents per share. Excluding the airline's \$60 million federal grant, it lost \$69.2 million, or \$2.05 per share. Analysts estimated the airline would lose between 70 cents and \$2.15 per share.

Continental Airlines announced a third-quarter profit of \$3 million, or 5 cents per share, including a \$3 million federal grant. Without the bailout grant, Continental would have a loss of \$97 million or \$1.76 per share. Analysts projected a loss range of 50 cents to \$4.84 per share.

Mesaba Airlines netted \$4.3 million for the quarter, or 21 cents per share. Excluding the federal government grant of \$5.3 million and \$1.1 million in severance costs, the airline earned \$2.9 million for the quarter, or 14 cents per share, well above analysts estimates of about 9 cents per share.

Airborne Express turned a profit for the most recent quarter, despite the slowing economy. Net income for the quarter ended September 30, 2001 rose to \$1.7 million, as compared to a net loss

of \$5.5 million for the same period last year. The results were aided in part by a \$7.8 million federal grant.

✈ AIRPORT SECURITY

MINETA SCREAMS FOR TIGHTER AIRPORT SECURITY

Summarized from the Washington Post, and L.A. Times, 10-31-01:

Secretary of Transportation Norman Mineta announced a crackdown on airport security. Under the new policy, security agents would be expected to enforce a zero-tolerance policy. Industry officials speculated that the new push for even tighter security could lead to even more delays. Mineta said that inconsistencies in the way different airports handle security must be remedied. In order to restore confidence in the system, Mineta said drastic action should be taken in the event of a security breach, including shutting down concourses and delaying flights while passengers are screened again. DOT spokesman Lenny Alcivar said the policy was designed so that efficient airline operations would depend on an airline's ability to maximize security.

DOT - NEW SECURITY PROCESS WILL BE A TRICK OR TREAT

Summarized from the Associated Press, 10-30-01:

The DOT is considering a multi-level screening process for security checkpoints in an effort to reduce long lines. The system would impose minimal scrutiny on passengers that possessed a smart card that uses biometrics to positively identify the cardholder. Presumably, the holder of a smart card has already been subjected to a more detailed background check to obtain the card. Those that choose not to obtain a card or do not qualify to obtain a card would still be subject to the more time-consuming, detailed security screening.

HOUSE WANTS FRIGHTFULLY EXPENSIVE TECHNOLOGY SOLUTION TO SECURITY

Summarized from Airports, 10-30-01:

House legislators are asking for a \$50 million program to explore the use of biometric technology in security screening at airports. The bill directs the National Institute of Standards and Technology to develop a standard for biometric technology, calls for a test and summary of biometric technology at no less than 20 airports within a year, and authorizes the development of a biometric database. Reps. Mike Honda (D-Calif.) and Jim Matheson (D-Utah), members of the House Transportation aviation subcommittee, introduced the legislation.

✈ AIR TRAFFIC

BOO! UNITED INCREASES REGIONAL JET PRESENCE AT LAX

Summarized from United Airlines, 10-30-01:

United Airlines announced that two of its commuter partners would reposition regional jets to LAX on October 31. SkyWest Airlines will operate 20 daily departures from LAX, while Air Wisconsin Airlines will operate 10 daily departures. Both airlines will operate 50-seat Canadair Regional Jets.