

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

12 November 2001

✈ FINANCIAL STATE OF AVIATION INDUSTRY

AA PLANE CRASH IN QUEENS

Summarized from the Wall Street Journal, 11-12-01:

An American Airlines Airbus A300, bound for the Dominican Republic, crashed in the Rockaway neighborhood of Queens shortly after takeoff from New York's Kennedy International Airport. There is no clear picture yet of what went wrong on board.

JAL, JAS TO MERGE

Summarized from Dow Jones Newswires, 11-12-01; and CBS MarketWatch, 11-12-01:

Japan Airlines and Japan Air System, Japan's largest and third largest carriers, respectively, have announced that they will merge in September 2002. This will represent the first major realignment in Japan's aviation industry in the past 30 years, and will create the world's sixth largest airline in terms of passenger miles. The move will come at a time of intense competition within Japan's domestic market, and greatly reduced demand for overseas travel in the wake of the September 11 attacks. Most consider the plan more beneficial for JAL, which has greater exposure to fluctuations in the overseas travel market. JAL has been placed on CreditWatch with negative implications by Standard & Poor's, due to this dramatic slowdown in international traffic.

CANADA 3000 BANKRUPT

Summarized from Canada 3000 press releases, 11-8-01 and 11-11-01:

On Friday all Canada 3000 flight operations ceased, and on Saturday the directors and officers of Canada's second largest passenger airline resigned and the company filed for creditor protection in Ontario Supreme Court under the Companies' Creditors Arrangement Act (CCAA).

WORLD AIRWAYS THIRD QUARTER FINANCIALS

Summarized from World Airways press release, 11-8-01:

Third quarter revenues for World Airways increased 26 percent, from \$67.5 million to \$85.2 million, as compared to the same period last year. The increased revenue is attributed to increased flying under contract with the U.S. Air Force's Air Mobility Command (AMC). Net loss for the third quarter was \$2.3 million, as compared to a \$43,000 net income during the same period last year.

CORPORATE PROFITS DOWN

Summarized from the Wall Street Journal, 11-12-01:

According to preliminary calculations by Dow Jones & Company, which tracks roughly 1,700 of the nation's largest public companies, corporate profits for the third quarter are down 72 percent from last year's level. This includes all one-time expenses and gains. Hit particularly hard were the insurance sector, facing a \$1.64 billion loss, and the airline sector, facing a \$2.39 billion loss. Many companies are now struggling as inflation has turned into deflation, leading to declining prices but costs that continue to rise.

BERKSHIRE HATHAWAY RECORDS \$2.28 BILLION LOSS

Summarized from the Wall Street Journal, 11-12-01:

Berkshire Hathaway, run by investor Warren Buffett, will record a \$2.28 billion charge for the third quarter, related to the September 11 attacks. Buffett characterized the company's, and insurance industry's, failure to collect extra premiums for potential terrorist attacks a "huge mistake." The company estimates that \$1.7 billion of the losses occurred at the General Re unit, and that \$575 million of the losses occurred at Berkshire's Reinsurance Group.

✈ AIRPORT SECURITY

NEW ARGENBRIGHT CEO FACES TOUGH TASK

Summarized from the Wall Street Journal, 11-12-01:

On Friday, Securicor PLC, parent company of Argenbright Security, appointed David Beaton as the new Argenbright CEO. Beaton is a twenty-year British Army veteran who commanded troops in Operation Desert Storm. Among Beaton's first moves will be to raise employee wages, improve training, and re-verify employee backgrounds. Argenbright provides security screening at 17 of America's 20 largest airports, but has recently been drawing fire for mismanagement and violation of federal rules.

✈ AIR TRAFFIC

MIDWEST EXPRESS OCTOBER TRAFFIC RESULTS

Summarized from Midwest Express press release, 11-12-01:

Midwest Express has reported October 2001 traffic statistics. Revenue passenger miles (RPMs) have decreased 12.2 percent from the same period last year. Available seat miles (ASMs) have decreased 11.4 percent from the same period last year. October 2001 load factor was 58.8 percent, as compared to 59.3 percent for October 2000.