

JOHN F. BROWN COMPANY EMAIL NEWSLETTER
Consultants to the Airport Industry

16 November 2001

✈ FINANCIAL STATE OF AVIATION INDUSTRY

IMF PREDICTS DIRE CONSEQUENCES WITHOUT QUICK US STIMULUS

Summarized from the Wall Street Journal, 11-16-01:

The International Monetary Fund is warning that the world economy will grow only 2.4 percent next year, and that political debate over a planned U.S. economic stimulus package is not inspiring any confidence that the U.S. can coordinate an effective recovery. Prior to September 11, the IMF was predicting world economic growth for next year at 3.5 percent.

✈ AIRPORT SECURITY

AVIATION SECURITY BILL READIED

Summarized from the Wall Street Journal, 11-16-01:

House and Senate negotiators reached an agreement on an aviation security bill that President Bush said he looks forward to signing, once it reaches his desk. The compromise bill does the following:

- After a one-year transition, the federal government will take over passenger and baggage screening at airports, as well as most other airport security measures, requiring the government to hire and train more than 20,000 workers.
- Requires the screening of all checked baggage for explosives within 60 days of enactment, quite a challenge considering that only 47 of the 419 commercial service airports in the U.S. have explosive-screening machines.
- Provides for hiring thousands of air marshals to ride on commercial flights.
- Authorizes a passenger fee of as much as \$10 per round-trip ticket, which would raise about \$1.5 billion a year and pay for part of the increased security costs.
- Airports could after two years appeal for permission to opt out of the government-run system and use private contractors overseen by federal supervisors. Politicians don't expect there will be any.
- Allows as many as five airports to experiment with private contractors.

Despite these indulgences to private security firms – that will in all likelihood be put out of business by this bill – at least one such company, Command Security Corp., is exploring legal remedies.

UNITED: “STOP OR I’LL TASE® YOU!”

Summarized from the Associated Press, 11-15-01:

United Airlines plans to arm its cockpit crews with Taser stun guns, it announced Thursday. The airline also said it would provide its flight attendants with special training for self-protection and assisting passengers. Both initiatives are subject to approval by the federal government. The stun guns will be placed in strong boxes with coded electronic locks.

✈ AIR TRAFFIC

AIRPORTS WILL BE LESS CROWDED THIS THANKSGIVING THAN LAST

Summarized from Reuters, 11-15-01:

Thanksgiving holiday traffic is expected to be 15 to 20 percent less than the same period a year ago, according to David Swierenga, chief economist for the Air Transport Association. For the first 13 days of November, Swierenga said U.S. passenger traffic was 24 percent below the same period a year ago.

US AIRWAYS PILOT OFFER TO UP REGIONAL JETS

Summarized from Reuters, 11-15-01:

An offer by US Airways pilots increases the number of regional jets the carrier can operate from 70 to 189 in return for increased pilot job security. Airline management has not commented on the offer.

SOUTHWEST PARKS 19 NEW 737S

Summarized from Bloomberg, 11-15-01:

Southwest Airlines will park 19 brand new Boeing 737s under an agreement with Amor Trust whereby the trust buys the aircraft from Southwest and Southwest has the right to buy them back from the trust when passenger demand recuperates. The deal covers nine aircraft that Boeing had already built for Southwest, as well as another 10 that Southwest had on order and Boeing planned to deliver by April 2002. The aircraft will be parked in the Mojave Desert.

4,600 FLIGHTS IMPACTED FOLLOWING SEPTEMBER 11

Summarized from OAG Worldwide, Inc., 11-15-01:

More than 4,600 flights planned for operation in the U.S. on November 8 prior to September 11 – about 15 percent of the total – were eliminated or changed based on new airline schedules from OAG Worldwide. That accounts for a reduction of nearly 500,000 seats.

DELTA NEEDS REGIONAL JETS MORE THAN MAINLINE JETS

Summarized from the Cincinnati Enquirer, 11-15-01:

Delta Air Lines CEO Leo Mullin stated that Delta has experienced greater need for regional jets than for mainline jets since the September attacks, and he mentioned that Delta has “big plans” for Comair, its RJ subsidiary. These plans could include working as one network, with Comair branching out to Atlanta and other regional carriers serving Cincinnati. Also, faced with traffic at Delta that is down 25 percent and revenue that is down 35 percent compared to last year, Mullin suggested that not only does air security need to be improved in the wake of the September 11 attacks, but more should be done to educate the public about the improvements that have occurred. Awareness of tighter security could hasten the return to normal air traffic levels. However, tighter security should not, in Mullin’s opinion, include matching baggage to passengers on flights. Mullin fears that this step could cause further level of service deterioration.

✈ HOTEL INDUSTRY

HILTON GROUP TAKES REVENUE HIT

Summarized from the Dow Jones Newswires, 11-15-01:

The slump in hotel and gambling revenue since September 11 is expected to continue for at least another six months, according to Hilton Group PLC. The company said revenue per available

room slid 11 percent for September and October of 2001 when compared to the same months in 2000.