

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

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✈ FINANCIAL STATE OF AVIATION INDUSTRY

UAL LOSES A BILLION; DELTA DOWN A QUARTER OF A BILLION

Summarized from the Wall Street Journal, 11-02-01:

United Airlines managed to increase its third quarter loss from 2000 by tenfold, upping it to \$1.16 billion. The airline predicts that it will lose even more for the fourth quarter. Excluding extraordinary items, including a \$248 million federal grant, United lost \$712 million for the quarter. United said it was using up its cash at the rate of \$15 million per day and that it had \$2.7 billion in cash on Sept. 30. Without any changes, United would run out of money 180 days from Sept. 30. The airline said that its October traffic figures were 28 percent below those of October 2000, but that the business segment appeared to be recovering faster than the leisure segment.

Delta Air Lines also reported a loss for the third quarter of \$259 million, as compared to a profit of \$133 million for the same period last year. Delta's federal grant amounted to \$104 million. Without it and other extraordinary charges, Delta lost \$295 million for the quarter. Delta said it was spending cash at the rate of \$8.5 million per day and had \$2.8 billion in cash on hand at the end of the third quarter.

AIRPORTS OPT OUT OF WAR INSURANCE

Summarized from Dow Jones newswires, 11-02-01:

Many airports are electing to forgo war and terrorism insurance coverage, finding the premiums are not worth the coverage. Following the September 11 attack, insurers cancelled the war and terrorism coverage clause for airports and are only recently offering new coverage. Tampa International Airport learned the new coverage came with a premium five times higher than the previous one, and the liability limit was one-fifth of what it was previously. Some airports are counting on their limited liability as government entities. Bill Hoyt, the insurance risk manager for the Minneapolis/St. Paul International Airport, said state laws cap the airport's liability at \$300,000 per individual or \$1 million per occurrence. Nowadays, a typical war insurance policy offers only \$50 million in coverage, which most airport officials find inadequate for any sort of terrorist act.

FOR ATLAS, LOSS ISN'T THE END OF THE WORLD

Summarized from Reuters, 11-01-01:

Atlas Air reported a loss of \$4.2 million, or 11 cents per share, for the third quarter. Analysts were expecting a loss in the range of 9 to 15 cents per share. The company is forecasting a profit for the fourth quarter.

DELTA REDUCES INVOLUNTARY LAYOFFS

Summarized from Reuters, 10-31-01:

Delta announced that it will lay off only 2,000 workers as part of a plan to reduce its work force by 13,000. The remaining 11,000 reductions will come from voluntary leave and early retirement programs. About 4,200 employees chose to retire early, many lured by a company offer to add five years to their service records for better pension benefits, said Mark Baxter, a Delta human

resources general manager. Delta also will pay their health insurance premiums. Delta offered voluntary leaves of one, two, three and five years, as well as a voluntary severance program. About 4,200 took the one-year furlough. Of the 2,000 involuntary layoffs, 1,700 will be pilots. Delta's pilot union has challenged management's use of force majeure clauses to make drastic changes.

✈ AIRPORT SECURITY

HOUSE CHOOSES "BUSH APPROACH"

Summarized from the New York Times, 11-2-01:

Yesterday the House of Representatives rejected the air security bill passed unanimously in the Senate by a slim margin of 218 to 214. They then passed a House Republican bill by a 286 to 139 margin. The House bill calls for government oversight of security screening, but would not make security screeners federal employees, as was called for in the Senate bill. Now, negotiation of a compromise between House and Senate may lead to further delays.

MINETA MEANS BUSINESS

Summarized from the New York Times, 11-2-01:

On Tuesday, Secretary of Transportation Norman Mineta, threatened to clear and search entire airport terminals if airlines were caught improperly screening passengers. Yesterday, federal agents ordered the American Airlines terminal at New York's Kennedy International Airport evacuated when Worldwide Security screeners were observed not using their metal-detecting wands. Seven flights were delayed by more than two hours as police and bomb-sniffing dogs completed a top to bottom inspection of the terminal.

BOEING, EL AL STUDY JOINT SECURITY VENTURE

Summarized from Boeing press release, 10-31-01:

The Boeing Company and El Al Israel Airlines have signed a 60-day memorandum of understanding to study the possibility of jointly creating a safety and security business for airlines, airports, and governments worldwide. The business could involve designing and manufacturing products, formulating systems and procedures, and training personnel.

✈ AIR TRAFFIC

FITCH: "KEY TO RECOVERY IS PASSENGER YIELD"

Summarized from Fitch press release, 11-1-01:

Since September 11th, airlines have been using fare sales to fill seats formerly allocated to business travelers with low-yield leisure travelers. While this has led to improving load factors, true economic recovery depends upon a pick-up in passenger yield. An improved business/leisure fare mix would help revenue per available seat-mile amounts improve, as well.