



JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

Thursday, November 21, 2002

DELTA AIR UNVEILS PLANS FOR A LOW-FARE CARRIER

Summarized from the Wall Street Journal, Dow Jones Newswires, 11/21/2002:

On Wednesday Delta announced its new airline-within-an-airline low-cost strategy to address competition from Southwest, Air Tran, and other low-cost carriers. The all-coach service will initially employ 36 757s, about 10 percent of the company's current capacity. Flying primarily on routes between the Northeast and Florida, its ticket prices are expected to be in the \$79 to \$299 range. The name of the new unit will be announced in February, with service to begin in the spring. Delta said that the simplified fleet, efficient flight schedule, and other cost reductions should give it a cost between seven and eight cents per available seat mile, even with its pilot wage scale remaining unchanged.

UAL'S LARGEST UNION AGREES TO \$1.5 BILLION CUT

Summarized from CBS.MarketWatch.com and others, 11/21/2002:

United's mechanics' union agreed to \$1.5 billion in wage and other concessions over five-and-a-half years, bringing UAL's total labor cost reductions to about \$5.4 billion (including \$2.2 billion from pilots, \$0.4 billion from flight attendants, and \$1.3 billion from management and salaried employees). In a press release describing its turnaround plan, United said that the key to the plan is \$2.5 billion in annual profit improvements composed of cost savings and revenue enhancements. The company believes it will have an operating profit in 2004, will begin repaying any ATSB guaranteed debt in 2005, and will have such debt completely repaid by 2007. Glenn Tilton, United's CEO, said "we intend to leverage our competitive strengths -- our unmatched global route network, our strong alliances, our loyal customer base, and our industry-leading frequent flier program -- in order to reestablish United Airlines as the premier global carrier." Meanwhile, the company has continued its negotiations with J.P.Morgan Chase, Citigroup, and GE Capital to arrange for debtor-in-possession financing so that it can continue operations if it must declare bankruptcy. [Other sources: AP, Reuters, UAL press release.]

SENATE PASSES WHITE HOUSE HOMELAND SECURITY PLAN

Summarized from Dow Jones Newswires and others, 11/20/2002:

Having been approved by the U.S. House and Senate, the Homeland Security bill will become law after being signed by President Bush. Among other things, the bill will consolidate numerous federal agencies into the Homeland Security Department (which will be led by a cabinet-level official), delay by one year the deadline for screening all baggage placed aboard passenger aircraft, allow pilots of those aircraft to have firearms in the cockpit, and extend government-issued war-risk insurance for airlines until August 2003. Although the administration says consolidation of the agencies will be completed in about a year David Walker, head of the GAO, indicated that establishing a "cohesive culture [in the new organization] is a multi-year effort that needs consistent and persistent effort from the top." [Other sources: The New York Times, Reuters.]

US SENATE APPROVES TERROR INSURANCE BILL

Summarized from Dow Jones Newswires, 11/20/2002:

On Tuesday, November 19, The Senate passed a bill that through 2005 would confer federal assistance to insurance companies facing claims from a terrorist attack. After the companies have paid out seven percent to 15 percent of their premiums (or \$10 billion to \$15 billion in insured losses) as a result of such an attack, the federal government would cover 90 percent of remaining required payouts up to a program total of \$100 billion. The measure also allows for a three percent federal surcharge that would be paid by policyholders, and that would help recoup federal aid amounts. The bill now heads to President Bush for his signature.

NEW SCREENING RULES MAY EASE 'HASSLE FACTOR'

Summarized from The Wall Street Journal and others, 11/21/2002:

TSA director James Loy said that a test of reduced screenings at boarding gates will expand to include up to 38 airports "as soon as possible," although some passenger screening at the gates will continue. The plan requires that passengers present boarding passes (not tickets or itineraries) at checkpoints away from the boarding gates.

On the topic of baggage screening, Loy added that he expects 400 airports to have machinery in place by December 31 to do the job. As many as 30 other airports will use other measures to screen baggage, thus ensuring that all checked baggage is screened in some way by that date. Although the latter group will employ measures such as trace detection equipment and bomb-sniffing dogs, about half will implement "advanced positive passenger bag match," in which passengers and their checked baggage are matched on each leg of a flight. [Other sources: The New York Times, Dow Jones Newswires.]



BOSTON AIRPORT LAUNCHES PASSENGER BEHAVIORAL PROFILING

Summarized from Dow Jones Newswires, 11/16/2002:

Boston Logan has introduced the nation's first "behavioral recognition program," which is based on a program in place at Israeli airports, and which seeks to scrutinize passengers displaying "odd or suspicious behavior."

EU URGES REWORKING OF AIR TRAVEL PACTS

Summarized from Reuters, Dow Jones Newswires, 11/20/2002:

In the wake of the European Court of Justice's "open-skies" ruling issued earlier this month, the European Commission on Wednesday asked the EU's 15 member states to renounce their bilateral treaties with the U.S., and requested from them the power to negotiate a single agreement with the U.S. that would be applicable to the entire EU. Britain replied that it does not intend to "tear up" its existing agreements with the U.S., and an official with the DOT said that "an angry reaction" from the U.S. Congress and the administration is likely.

ALLIANCE PLAN REVIEW EXTENDED

Summarized from Bloomberg News Service, 11/19/2002:

The DOT for a third time has extended its review of the proposed code sharing alliance among Continental, Delta, and Northwest in order to consider comments from competitors and the public. [In October, Southwest, America West and other low-cost airlines filed an objection with the DOT related to the pending codesharing agreement. The low-cost airlines were seeking a three-month period in which to make their case that the extensive overlap in routes among the three applicant airlines creates the potential for "elimination of competition" among them. See JFB Newsletter v.2, i.5.]