

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

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✈ FINANCIAL STATE OF AVIATION INDUSTRY

GANGWAL LEAVES US AIR, WOLF IS CEO AGAIN

Summarized from the New York Times, 11-28-01:

US Airways CEO Rakesh Gangwal has resigned, and chairman and former CEO Stephen Wolf will retake the reins. Gangwal's decision was personal, and he will be pursuing opportunities in venture capital investing. The airline's unions, longtime critics of Wolf, reacted with shock. "I dread to see what's in store," states Scotty Ford, president of District Lodge 141-M of the International Association of Machinists and Aerospace Workers.

ALITALIA STRUGGLES ON

Summarized from the Wall Street Journal, 11-28-01:

Racing against time, and relying upon an uncertain bond issue, Alitalia is struggling to cut costs and stay afloat. Jonathan Wober, airlines analyst with Deutsche Bank puts it frankly: "Of the big European airlines, Alitalia is in the worst shape." A planned 1.3 billion euros bond issue, by far the largest piece of the carrier's financial plan, remains under discussion with the government. Alitalia's poor credit rating makes Rome's backing necessary, and that requires the approval of Brussels, which has made no secret of its opposition to national flag carriers being bailed out by their governments.

✈ AIRPORT SECURITY

MINETA SETS 10 MINUTE PASSENGER SCREENING GOAL

Summarized from the New York Times, 11-28-01; the Wall Street Journal, 11-28-01:

Secretary of Transportation Norman Mineta has set forth ambitious goals for the new Transportation Security Administration, to achieve Aviation and Transportation Security Act mandates. For passenger screening, he characterized the goal as "no weapons, no waiting," saying no one should have to wait in security queues for longer than 10 minutes, while for cargo screening the goal is "no danger, no delay." Mineta has, however, drawn Congressional ire by stating that the DOT will be unable to meet a mid-January deadline to begin screening every bag to be placed aboard an aircraft for explosives. He said there are simply too few security screeners, too few screening machines, and too few sniffer dogs to accomplish this goal. Currently, 140 machines capable of detecting bombs and plastic explosives are in use in American airports. Top Mineta spokesman, Chet Lunner, estimates the department will need 2,100. Currently between 18,000 and 22,000 employees screen baggage for airlines. Some experts predict more than 30,000 will be needed.

INVISION DOING BOOMING BUSINESS IN SWEDEN

Summarized from InVision Technologies press release, 11-27-01:

InVision Technologies, makers of the CTX 9000 DSi Explosives Detection System, report an order from the Swedish government's civil aviation authority worth approximately \$5.1 million. The order represents the third received from Sweden in the past year, together worth roughly

\$11.0 million. The CTX 9000 DSi systems will be installed in the Stockholm-Arlanda Airport expansion.

✈ AIR TRAFFIC

HIGH LOAD FACTORS OVER HOLIDAY MASK PERSISTENT TRAVEL SLUMP

Summarized from the Los Angeles Times, 11-28-01:

Thanksgiving leisure travelers filled up aircraft, but most paid heavily discounted fares and as many as 20 percent fewer seats were flown as compared to last year. High-fare paying business travelers are what the airlines really need to pull out of their slump, but many of those travelers are remaining on the ground. A combination of a sour economy, and concerns about missing flights while in security queues or being stranded, is keeping many business travelers at arm's length from the airports and airlines that depend on their traffic. Reno Bianchi, Salomon Smith Barney analyst, states, "With the economy not showing any signs of an immediate recovery, it is quite hard to be optimistic about a prompt rebound in business traffic."

BUSINESS TRAVELERS QUESTION NECESSITY OF TRIPS

Summarized from TNS Intersearch press release, 11-27-01:

Results from focus groups conducted by research firm TNS Intersearch reaffirm what many have speculated: the business travel decision-making process has been dramatically altered by the September 11 attacks. Study participants report that the most important travel consideration now is the necessity of the trip, as opposed to such pre-September 11 considerations as frequent-flyer miles and brand loyalty rewards. Fears of being stranded, and family discomfort with air travel have also taken on more importance. Participants suggest that fears may be best alleviated by providing details of new security improvements to the public, and consider emotional advertisements related to holiday season family togetherness to be irrelevant and sometimes offensive.

WILL BUSINESS TRAVELERS GO CHARTER?

Summarized from the New York Times, 11-28-01:

No firm data on the direction the aviation industry will take post-September 11 yet exists, but opinion and speculation abounds. Michael Dyment, a partner in financial consulting firm Andersen, shares the following speculation: "In my view, 10 years from now business travelers, generally speaking, are not going to be flying commercial." Recently, driven by the popularity of fractional ownership private jets, the corporate jet industry has been growing at about 30 percent annually. Prior to September 11, business travelers were angry about high fares and wasted time in airports. Now with airlines struggling to increase revenue, and to implement more stringent security, it seems unlikely that business travelers will see either of these issues go away. Corporate jets, which can operate more efficiently and with fewer security problems than commercial flights, and which when shared amongst a group can cost an amount comparable to first class tickets, remain an available option.