

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

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✈ FINANCIAL STATE OF AVIATION INDUSTRY

INSURANCE BATTLE BREWING BETWEEN HOUSE, SENATE, AND BUSH

Summarized from the Wall Street Journal, 11-30-01:

With over 70 percent of companies losing terrorism coverage on December 31, the clock is ticking, and it does not appear that a solution is in sight. The House passed legislation (227-193) encouraging insurers to offer terrorism coverage. The bill would require insurers to pay claims up to \$1 billion on future terrorist attacks, with taxpayers paying 90 percent of any additional claims. Insurers would be required to repay some government funds. The bill passed largely along party lines with House Republicans coming out victorious. But this was merely a battle in a larger war. The major source of disagreement in the bill is the provision that limit damages from lawsuits stemming from terrorism, meaning that victims would not be able to sue using tort laws. Senate Democrats have agreed to a bill that would pick up 90 percent of insurance claims in excess of \$25 billion in the first year after the bill is enacted, dropping to 80 percent in the second and third years. Insurers would be required to repay some government funds. However the bill does not have tort limitations and Democrats and Republicans do not appear ready to compromise. Officials at the White House have already said that the President would veto a bill without tort limitations.

S&P CUTS RATING ON SEVERAL AIRLINES DUE TO HIGHER INSOLVENCY RISK

Summarized from Reuters, 11-29-01:

Standard & Poor's on Thursday cut airline senior unsecured debt ratings for British Airways and US major airlines American, America West, Continental, Delta, Northwest, and United. Standard & Poor's further warned it may cut the ratings again, saying that holders of the debt are likely to get less of their money back if the airlines ever became insolvent.

UNITED TO SEEK EMPLOYEE WAGE CUTS

Summarized from the New York Times, 11-30-01:

United Airlines is bleeding at a rate of \$15 million a day and sees wage cuts as a contributing factor to regaining profitability. United told the International Association of Machinists at a meeting in Washington yesterday that it was "looking for sacrifices from all employees". However, United has unresolved contract negotiations with its 15,000 machinists, who have not had a pay raise since 1994. The machinist union is aggressively seeking parity in wages with other United employees, which would result in a wage increase of approximately 21 percent. At a time when United has received almost \$800 million in direct federal aid and has slashed jobs any wage increase is going to be seen as unwelcome.

TIGHTENED BELTS UNPLUG INTERNET PROJECT

Summarized from the Associated Press, 11-29-01:

With attention focused elsewhere, and budgets shrinking, American, United, and Delta have all pulled out of a joint venture with Connexion by Boeing to develop and offer high-speed Internet access aboard airplanes. The service would have allowed passengers to check e-mail and surf the web while in flight, for about \$20 an hour. German carrier Lufthansa is still intending to

participate in the venture with Connexion, and hopes to begin offering the service in late 2002, or early 2003.

LUFTHANSA NEAR ORDER FOR A380'S

Summarized from the New York Times, 11-30-01:

Lufthansa CEO, Jürgen Weber, confirmed in an interview in Manhattan that Lufthansa is close to concluding a multi-billion dollar order for 15 of the 550-seat Airbus 380 aircraft. Mr. Weber cited the cost economies of the A380, which Airbus promise to be 20 percent lower than a Boeing 747, as an “extremely attractive factor”.

✈ AIRPORT SECURITY

PREMIUM PASSENGER SECURITY CHECK-IN LANES CATCHING ON

Summarized from Reuters, 11-28-01:

Eager to appease harried business travelers contending with security delays, more airlines are beginning to expand differentiated levels of service to the security check-in realm. American, United, and Delta, the nation's three largest carriers in terms of passenger enplanements in 2000, have all begun operating separate security check-in lanes for their premium passengers. Continental and Northwest are both considering following suit. As Delta spokesman John Kennedy puts it: “Our goal is to provide differentiated service to our premium customers at every opportunity. We are keen to expedite the security process for our elite passengers.”

NORTHWEST STRIVES FOR QUICK CHECK-IN

Summarized from Northwest Airlines press release, 11-29-01:

Northwest is now asking passengers on domestic flights to arrive at the airport 75 minutes prior to flight departure, lower than the 120 minute headway requested after the September 11 attacks, and actually, the lowest in the company's history. Traditionally, passengers had been asked to show up 90 minutes prior to departure. Northwest credits increasing use of online check-in and self-check kiosks with taking some of the load off traditional check-in counters.

CUSTOMS CRACKING DOWN ON FOREIGN AIRLINES

Summarized from the Los Angeles Times, 11-30-01:

Thursday, U.S. Customs began thoroughly searching all passengers and luggage on inbound flights from China, Russia, the Middle East, and other locations, on carriers that do not provide information about passengers prior to landing. Currently most of the larger international carriers (carrying around 85 percent of inbound international passengers) already comply by sending information on passengers such as name, birth date, travel plans and other information. Known as the Advance Passenger Information System (APIS), it allows Customs to electronically cross check with law enforcement databases prior to landing, allowing passengers to be examined more thoroughly upon arrival, if necessary. APIS has been voluntary since 1988, but under current plans, 58 carriers will be required to join by January 18. Word of the impending deadline recently became public and, concerned about the possibility of terrorists attempting to use the intervening time as a period to get into the country, Customs decided to step up search intensity immediately. While reaction among the 58 carriers has been mixed, Customs appears ready and willing to take a hard line. Customs spokesman Kevin Bell warns, “If they don't do it by January 18, we can revoke their landing rights. It's definitely a possibility. I would say it's very likely.”

CUSTOMS PURCHASES VISIONICS LIVE SCAN SYSTEMS

Summarized from Visionics Corporation press release, 11-28-01:

The U.S. Customs Service has placed multiple orders equaling a total of twenty FingerPrinter CMS live scan fingerprint systems and plans to install these systems within their facilities in 16 major international airports. The systems will digitally capture the high quality fingerprints to run background check on all employees who need access to the U.S. Customs Services area within the airport facilities.

ARINC, VISIONICS FORM ALLIANCE ON FACIAL RECOGNITION PRODUCTS

Summarized from Visionics Corporation press release, 11-29-01:

ARINC Incorporated, a leader in mission-critical communications and information-processing systems for the aviation industry, and Visionics Corporation, a worldwide leader in identification technologies and systems, have announced a strategic alliance to promote and sell Visionics facial recognition products and solutions to the aviation industry and government agencies. Visionics also stated that it joined IATA special interest group to work on simplifying passenger travel.

INVISION SIGNS \$27 MILLION CONTRACT WITH AEROPORTS DE PARIS

Summarized from InVision Technologies press release, 11-29-01:

InVision Technologies announced that it signed a supply agreement valued at \$27 million with Aeroports de Paris, the company that owns and operates the Charles de Gaulle and Orly international airports. The purchased explosive detection systems will be installed at both locations.

✈ AIR TRAFFIC

ATA SETS RECORD FOR ITSELF OVER THANKSGIVING

Summarized from American Trans Air press release, 11-29-01:

The nation's tenth largest carrier, American Trans Air, announced that on Sunday, November 25, it carried a record-setting 22,508 enplaned passengers.