

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

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✈ FINANCIAL STATE OF AVIATION INDUSTRY

AIRLINES ASK FOR CALIFORNIA TAX BREAK

Summarized from the San Francisco Chronicle, 12-10-01:

Airlines, reeling financially from the one-two punch of a national recession and the September 11 terrorist attack, are asking the California legislature for emergency tax relief that is normally reserved for the victims of fires, floods, and earthquakes. Under California law, property owners that lose assets to these disasters can request a reassessment of their property, which would typically result in lower property taxes until the asset is rebuilt. The airlines are making the argument that the September 11 attack forced them to ground aircraft, thereby lowering the value of those assets and any facilities associated with those aircraft. United Airlines is claiming a loss of \$1.53 billion in the value of its aircraft and facilities at SFO. If that claim holds, it would mean a loss to the state of \$15 million in tax revenue. The state Board of Equalization will take up the issue December 20.

AMERICA WEST BENDS TO REGULATORS FOR LOAN GUARANTEES

Summarized from America West press release, 12-10-01; and the Wall Street Journal, 12-11-01:

America West Airlines, looking for approval of \$400 million in federal loan guarantees, acquiesced to members of the Stabilization Board and made numerous changes to its application. The changes include:

- A softening of the assumptions on the airline industry recovery.
- A \$63 million increase of total concessions and financial assistance to more than \$600 million.
- Warrants for the government to acquire about 3.4 million Class B shares of the company, or about 10% of the Class B shares outstanding.
- A reduction of the loan guarantee amount from \$419 million to \$400 million.

The America West business model assumes that the loan can be repaid from 2005 to 2008. Looking forward, the model forecasts revenue per available seat mile (RASM) growth of 3.9 percent in 2002. America West's estimate falls at the low end of the range of forecasts for 2002 made by Wall Street airline analysts: they estimated growth rates ranging from 3.9 percent to 18.6 percent. For 2003, RASM growth as forecast by America West's model is 10.5 percent. Beyond 2003, the model assumes 2 percent RASM growth.

BETHUNE PREDICTS CONTINENTAL RETURN TO PROFITABILITY IN MARCH

Summarized from the Newark Star-Ledger, 12-7-01:

Following a stock sale that pushed cash reserves to over \$1 billion, Continental CEO Gordon Bethune is predicting a profitability break-even by next March. Bethune does not think Continental will need any of the \$10 billion of loan guarantees approved by Congress, but said the carrier may apply anyway, as a form of insurance against unforeseen events.

SUN COUNTRY ENDS SCHEDULED FLIGHTS

Summarized from the St. Paul Pioneer Press, 12-7-01:

Sun Country last Thursday lost the last of its major charter customers, and has now grounded all of its aircraft. With all scheduled service now ended, the carrier may have to file for bankruptcy as expenses pile up. Layoffs for many of the carrier's remaining 900 employees could be imminent.

BOEING MAY CONTINUE 717 PRODUCTION

Summarized from the Wall Street Journal, 12-7-01:

While Boeing has declined to comment on the matter, some close to the decision-making process say production of the 717 may not cease after all. Demand for the 106-seat aircraft remains relatively high, particularly among AirTran Airways, and some Chinese airlines. Since the 717 entered service in 1999, only 86 have been delivered, while it is estimated that 200 deliveries would be required for Boeing to break even.

✈ AIRPORT SECURITY

AIRPORT DESIGN TO FACE FUNDAMENTAL CHANGES

Summarized from the Los Angeles Times, 12-11-01:

At the same time security and insurance costs for airports are rising, many will undoubtedly face expensive architectural redesign. The airports of pre-September 11 were designed with a focus on passenger convenience and aesthetics. While these remain important concepts, since September 11, security has become paramount. Parking areas close to terminals have become unusable, and walls of glass are now viewed as potential liabilities, rather than objects of beauty. Space to accommodate large scanning devices, and queues at security checkpoints was, in many cases, not part of airport design plans. With new government security guidelines being issued almost weekly, airport planners and designers having been working overtime to stay on top of it all.

LOGAN TO INSTALL NEW AUTHENTICATION TECHNOLOGY

Summarized from Imaging Automation press release, 12-11-01:

Imaging Automation, maker of BorderGuard documentation authentication and identity verification technologies, has been chosen by Massport to install its equipment in numerous locations within Boston's Logan International Airport. The BorderGuard technology is part of a drive to make Logan "the benchmark for excellence in aviation safety," according to Massport Acting Executive Director and Director of Aviation Thomas J. Kinton, Jr.

✈ AIR TRAFFIC

AMERICAN EAGLE ADDS ROUTES TO LAX

Summarized from American Eagle press release, 12-10-01:

American Eagle Airlines plans to expand its LAX service next year. Starting in February, it will commence service to Albuquerque, Phoenix, and Oakland with the 44-seat Embraer ERJ-140. In March, it will add service to Sacramento. In total, the regional airline will add 19 round-trip flights to LAX.