

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

7 March 2002

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✈ FINANCIAL STATE OF THE AVIATION INDUSTRY

AIRLINES SNUB INSURANCE INDUSTRY, LOOK TO FORM INSURANCE GROUP

Summarized from the Financial Times, 03-04-02; and Dow Jones Newswires as reported by the Wall Street Journal, 03-06-02:

U.S. and European airlines, stung by war-risk insurance cancellations following September 11, are exploring self-insurance options. Governments have subsidized airline insurance since the terrorist attack, but those programs are scheduled to expire soon, with the U.S. program ending March 20. U.S. airlines have asked the federal government to extend its program to allow them time to get their self-insurance program, called Equitime, off the ground in June. Current projections show that Equitime could offer coverage as low as 50 cents per passenger, or a total of \$400 million per year to the industry. That compares with private insurance coverage now offered at around \$2.25 per passenger, or about \$1.4 billion for the industry. European airlines are considering a similar idea, but are waiting to see how Equitime performs.

AIRPORTS WREST GATE CONTROL FROM AIRLINES

Summarized from Reuters as reported by Yahoo!, 2/28/02; and the Wall Street Journal, 03-06-02:

Control of airport gates appears to be shifting from the airlines to the airports. Last week, US Airways agreed to an early lease termination on 29 gates at Baltimore/Washington International Airport in exchange for about \$4.3 million. Southwest Airlines and United Airlines, among others, plan to lease the gates from the airport administration. US Airways discontinued its MetroJet service following the September 11 terrorist attacks, and now operates approximately half the flights it previously had at BWI. BWI isn't the only airport taking controls of its gates. This past January, Raleigh Durham International Airport took back control of the American Airlines terminal for an undisclosed sum.

AIRLINE STOCKS ON THE REBOUND

Summarized from the Associated Press as reported in the Los Angeles Times, 03-05-02:

At nearly six months after September 11, stock prices of major U.S. air carriers are finally returning to pre-attack levels. Reports of returning revenues and fewer empty seats have helped push Northwest and American Airlines toward their September 10 stock price levels, while Delta Air Lines has already surpassed that goal.

SOUTHWEST QUARTERLY PROFIT IN DOUBT

Summarized from the Wall Street Journal Online, 03-06-02:

Southwest Airlines announced that it was uncertain whether its first quarter of 2002 would be profitable or not. Southwest was the only major carrier to show a profit in the fourth quarter of 2001. Southwest attributed the uncertainty to a second month of reduced passenger traffic. Southwest's revenue passenger miles fell 4.4 percent in February 2002 compared to February

2001, and were down 4.7 percent for the first two months of 2002 as compared to the same period last year.

UNITED MECHANICS APPROVE CONTRACT

Summarized from the New York Times and the Associated Press as reported by Yahoo!, 3-6-02: United Airlines mechanics have approved a new contract, narrowly averting a strike that could have begun tomorrow. A 59 percent majority of United's 13,000 mechanics voted to approve the contract. The mechanics, whose pay has been frozen since 1994, will see a 37 percent raise in their top hourly wages. The mechanics will also receive retroactive pay over the course of the next two years. Having lost a record \$2.1 billion last year, a strike held the possibility of driving the carrier into bankruptcy. With this issue resolved, United now hopes to complete contract negotiations with its 23,000 bag handlers, customer service representatives, and reservation agents.

✈ AVIATION SECURITY

TSA TO HIRE 30,000

Summarized from U.S. Department of Transportation press release, 3-4-02: Transportation Secretary Norman Mineta has announced that the Transportation Security Administration (TSA) has begun recruiting to fill 30,000 federal security positions. The new employees will provide security screening at each of the country's commercial airports. "I am personally committed to ensuring that security professionals protecting our nation's travelers be highly trained, better paid and provide top-quality service," stated Mineta.

BATTLE BREWING OVER FIRST CLASS SEATS

Summarized from USA Today, 3-6-02: A February 20 incident aboard an American Airlines flight from Palm Springs may be indicative of an emerging problem. Two federal air marshals checked in for the flight and requested first class seats to be nearer the cockpit, though they had been booked in coach. The airline told the marshals that first class was already overbooked and had them sit in coach. While marshals are supposed to receive any seat they request, the amount of notice they are supposed to give the airline is unclear. Officials are looking into the incident to determine whether this was an isolated incident, or an example of a more widespread problem.

WEAPONS ROUNDUP

Summarized from Reuters as reported by Yahoo!, 3-2-02; and Washington Post and Allied Pilots Association press release, 3-5-02: Consensus has yet to emerge on the controversial issue of arming pilots. Recently, the Allied Pilots Association, which supports the voluntary arming of pilots, blasted Homeland Security Director Tom Ridge for speaking out against such an action. American Airlines pilots noted declining numbers of federal air marshals aboard flights into and out of Washington Reagan National Airport when arguing the need for pistol-packing pilots. Meanwhile, Secretary of Transportation Norman Mineta, who, like Ridge, opposes guns in the cockpits, is speaking out in favor of stun guns. Though no decision has been reached on the issue, United is already training its pilots with 1,300 TASERS it has acquired, in anticipation of a governmental move in that direction.

FIVE AIRPORTS TO PURCHASE IDENTIX LIVE SCAN SYSTEMS

Summarized from Identix Inc. press release, 3-5-02:

Identix has announced that five new airports have placed orders for its Live Scan TouchPrint(TM) 2000 Applicant Fingerprint Systems (TP 2000 AFS). Gerald R. Ford International Airport in Grand Rapids, MI; California's Monterey Peninsula Airport; Albany International Airport in New York; Virginia's Richmond International Airport; and The Eastern Iowa Airport in Cedar Rapids have each ordered one of the systems. Identix recently announced that it would merge with Visionics Corporation.

✈ AIR TRAFFIC

BUSINESS TRAVELER ANGST CONTINUING TO BUILD

Summarized from the New York Times, 3-6-02:

With business travelers sometimes paying seven times as much as leisure travelers for the same seats on aircraft, business traveler frustration with what is sometimes termed “discriminatory pricing” is starting to reach a boil. In the time since September 11, pricing differences have become even more pronounced, as carriers deeply discount leisure fares in a desperate effort to fill seats. Business traveler Robert Julian, for one, is fed up with the “indirect subsidization of the vacation traveler,” and has cut his travel by a third in response. The real question is how many more Robert Julians will react in the same way.

NORTHWEST TO RESTORE EVENING FLIGHTS IN MEMPHIS

Summarized from Northwest Airlines press release, 3-6-02:

Responding to customer demand, Northwest Airlines will restore evening nonstop service to its Memphis hub. After September 11, Northwest cut back on its schedule at Memphis more heavily than at its other hubs in Detroit and Minneapolis/St. Paul. Larry Cox, President of the Memphis and Shelby County Airport Authority, welcomed the move, saying, “Business travelers will again be able to conduct business in a single day of travel from Memphis.”