

JOHN F. BROWN COMPANY EMAIL NEWSLETTER

Consultants to the Airport Industry

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✈ FINANCIAL STATE OF THE AVIATION INDUSTRY

SECURITY FEE HIKE “SHOT DOWN”

Summarized from USA Today, 5-7-02; Continental Airlines press release, 5-7-02; the Wall Street Journal, 5-7-02; Dow Jones Newswires, 5-8-02; Delta Air Lines press release, 5-8-02; the Chicago Tribune, 5-9-02; and the New York Times, 5-9-02:

To help cope with skyrocketing aviation security costs, House Appropriations Committee leaders, led by Rep. C.W. "Bill" Young (R-Fla.), had wanted earlier this week to double the security fee passengers pay from \$2.50 to \$5 per flight leg. This would have raised the maximum round-trip fee from \$10 to \$20. However, as soon as the proposal was made, it ran into a phalanx of ardent opposition. Continental Chairman and CEO Gordon Bethune feared that, “the higher fees will further diminish the current lackluster demand for airline travel.” American Airlines in a press release stated, “Although we fully support the need to provide a safe and secure federal air transportation system, we can ill afford to price passengers out of the market.” Delta Air Lines CEO and Chairman Leo F. Mullin reminded decision-makers that it would be the financially struggling carriers that would ultimately wind up eating any rise in ticket price. “It is pure fiction to suggest that such costs are just ‘passed on’ to consumers.” Even fellow Republican lawmakers Dick Armye and John McCain, both heavily involved in the negotiation of the federal bailout program, were characterized as “enraged” by the proposal. Estimates of annual losses due to non-passage of the rate hike range from \$1.5 billion to \$2.2 billion. However, some or all of the “lost funds” could be restored when the full House considers the homeland security bill.

CREIGHTON PLANS TO GET CONCESSIONS BEFORE DEPARTING

Summarized from Reuters as reported in Yahoo!, 5-7-02; and Reuters Company News, 5-7-02: Jack Creighton, lame duck CEO of United Airlines, intends to earn wage concessions from his airline’s labor groups before he departs but offered no specific timetable. Creighton has announced that he will step down once his replacement is found, a process that is underway and expected to take at least six months. Unions aren’t likely to grant wage cuts easily, with the International Association of Machinists (IAM) insisting that all contracts need to be in place first. The airline this spring agreed to industry-leading contracts for two different bargaining units of the IAM. One contract has been ratified by rank-and-file mechanics, and another is up for a vote on Friday by ramp and reservation workers. Creighton also said that he would like to avoid applying for federal loan guarantees, but the option is still open.

✈ AVIATION SECURITY

TRANSIT WITHOUT VISA PROGRAM POSES MORE SECURITY RISKS

Summarized from the Los Angeles Times, 5-6-02:

Federal Bureau of Investigation (FBI) and Immigration and Naturalization Service (INS) authorities are investigating a possible illegal entry ring at Los Angeles International Airport. These federal officials suspect that foreigners are breaking into the country with the help of security guards hired by the airlines. Foreigners enter the U.S. without visas through a relatively unknown INS program called Transit Without Visa. Under the program, these foreigners are

supposed to continue on their journey and exit the U.S. relatively quickly. However, federal officials are investigating some of the companies responsible for ensuring compliance and security with this program to determine if there is a systematic smuggling of illegal aliens into the country. Efforts to shut down this program because of the inherent security risks have been thwarted by the airlines because they make a lot of money off of foreigners on long trips that make temporary stops in the U.S.

TSA TRAINS THREE-THOUSAND

Summarized from the Chicago Tribune, 5-8-02:

The Transportation Security Administration plans to train and hire 3,000 federal air marshals before the end of the year. TSA is in the process of expanding its air marshal facilities to 21 field offices throughout the U.S., as well as constructing additional shooting ranges for training. In September, a five-week training program for air marshals will be initiated to improve their skills. Air marshals are responsible for uncovering criminal activities at airports, assisting flight crews with unruly passengers, and providing medical aid to passengers, in addition to their duties of terrorism prevention. The marshals must meet marksmanship standards above what is required for a secret service agent that guards the president. TSA has received about 130,000 applications for the air marshal positions since September 11.

DFW PASSENGERS "FLY" THOUGH SECURITY

Summarized from DFW International Airport press release, 5-9-02:

According to passenger survey results announced by DFW International Airport, 99 percent of their passengers feel "safe" to "very safe," and 93 percent of their passengers cleared security in 10 minutes or less. Kevin Cox, airport senior executive vice president, mentions as reasons for the speedy security check: dispersal of check-in lines to multiple entry points, improved customer service procedures, and helpful hints to streamline security check-in posted on the airport's website.

US MUST PURSUE PROFILING, DONOHUE SAYS

Summarized from the Denver Rocky Mountain News, 5-8-02:

While depending on U.S. intelligence groups is the best way to thwart future terrorist attacks, according to Thomas Donohue, president and chief executive of the U.S. Chamber of Commerce, more use of profiling is still necessary, he said. "There is no perfect system, but it will be a system built on changed attitudes and investments . . . and taking out the people most likely to bring these problems to our country," Donohue said at the International Chamber of Commerce's 34th World Congress in Denver. He explained that an increased emphasis on profiling is needed because it is too expensive to screen every passenger and package equally.

PRIVATE GUARDS TO REPLACE NATIONAL GUARD AT SMALLEST AIRPORTS

Summarized from the New York Times, 5-9-02:

The nation's smallest airports will be allowed to replace departing National Guardsmen with private security guards if they lack sufficient numbers of local police, according to the TSA. Eventually, the TSA will be deploying its own police force to guard security checkpoints, so the private guards are considered temporary. The government will reimburse the airports the cost of the interim security guards' salaries.

✈ AIR TRAFFIC

SOUTHWEST LAUNCHES TRANSCONTINENTAL SERVICE

Summarized from the Associated Press, 5-7-02; and AviationNow.com, 5-7-02:

Southwest Airlines, the perennial short-haul mass transit carrier, plans to commence coast-to-coast non-stop service in the fall. The carrier announced that, starting September 15, it would offer \$99 one-way fares from Baltimore to Los Angeles. The carrier will also take delivery of four 737s that it previously delayed. Although the vast majority of the carrier's flight are less than 750 miles in length, it plans to add more long-haul flights, mostly in an effort to woo business travelers.