

JOHN F. BROWN COMPANY NEWSLETTER

Consultants to the Airport Industry

31 July 2002

ECONOMIC EFFECTS OF WAR ON IRAQ

Summarized from The New York Times, 7-29-02; Iraq Press (London) 7-31-02:

The Persian Gulf War cost the U.S. and its allies \$60 billion, and the subsequent economic recession was caused in part by a spike in oil prices. Talk of war on Iraq raises concerns about the economic ramifications, beginning with the effect on oil prices. The Energy Department has been topping off the 700-million barrel Strategic Petroleum Reserve, ostensibly to mitigate the adverse effect of a war on oil prices. Meanwhile, it is reported that many residents are leaving Baghdad in anticipation of a U.S. attack.

VANGUARD FILES FOR CHAPTER 11

Summarized from Reuters, 7-30-02; Associated Press, 7-30-02:

Vanguard, which last posted an operating profit in 1998, filed for Chapter 11 bankruptcy protection Wednesday, after the ATSB rejected its loan application for the third time. CEO Scott Dickson partially blamed the ATSB's delay in processing Vanguard's application for their need to file for bankruptcy.

EAGLE ENTERS DCA-LGA-BOS SHUTTLE MARKET

Summarized from Washington Post, 7-31-02:

American Eagle launches shuttle service August 1 in the weak Northeast shuttle market seeking more business travelers for its network. The airline will operate 37 to 44 seat Embraer regional jets. "We can cover our cost with 15 to 20 customers," says American Eagle President Peter Bowler.

HAVE FEDERAL LOANS OUTLIVED THEIR NECESSITY?

Summarized from The Washington Post, 7-27-02:

Delta CEO Leo Mullins, who led the fight to create the ATSB, now believes that loan guarantees have outlined their necessity. Continental CEO Gordon Bethune would agree. "What the hell does the taxpayer need to subsidize for if the company can go out and get [financing] in capital markets?" United, which has a \$1.8 billion application before the ATSB, disagrees, even though United, Northwest, and JetBlue recently obtained financing in the private sector.

300 COBRAS ESCAPE IN AIRPORT

Summarized from Agence France-Presse, 7-31-02:

Panic hit the Riyadh Airport when 300 live and poisonous cobras escaped from a passenger's luggage after a customs officer insisted that the suitcase be opened for search.

EU TO IMMUNIZE ALLIANCES

Summarized from The Wall Street Journal, 7-29-02:

The European Union recently indicated it would grant antitrust immunity to alliances between United and both Lufthansa and Scandinavian and to Northwest and KLM. A partnership between Delta and both Air France and Alitalia is currently under review.

GOOD FENCES MAKE FOR GOOD AIRPORTS?

Summarized from The Los Angeles Times, 7-27-02:

LAX is improving its perimeter fence. The first phase (8 miles and \$15 million) replaces the regulation 5-foot fence with an 8-foot fence equipped with close-circuit television cameras, intense lighting, and a concrete vehicle barrier. Atlanta and Miami airports have installed similar systems based on a maximum-security fencing design from Israel.

TSA BUDGET INFLATING

Summarized from Aviation Week & Space Technology, 7-29-02:

Congress may have underestimated the amount of money needed to federalize airports. Originally, Congress had envisioned a federal workforce of 30,000 screeners requiring \$2.2 billion to get started. The new TSA estimates show the need for 67,000 federal workers and \$6.6 billion this year alone. The 2002 supplemental appropriations approved by the House and Senate envisions 45,000 employees and a budget of \$3.4 billion.

CHANGING FACE OF CUSTOMS COULD AFFECT U.S. COMPANIES

Summarized from The Washington Post, 7-27-02:

Companies are raising concerns with the U.S. Customs Service being moved into the Department of Homeland Security. Companies are concerned that Customs could lose sight of its critical role in keeping goods moving efficiently. Executives in the concerned companies are reluctant to speak out because "no company wants to be seen as a foot-dragger in homeland security."

US AIRWAYS, UNITED ENTER CODE-SHARE DEAL

Summarized from the Chicago Tribune, 7-25-02; USA Today, 7-25-02; The Philadelphia Inquirer, 7-25-02; The Wall Street Journal 7-25-02:

US Airways and United entered into a marketing partnership that will allow the two airlines to sell tickets on each other's flights. The agreement would enable US Airways to become stronger in the western part of the country, while United would gain a stronger presence on the East Coast and across the South. The code-sharing agreement is a major part of a restructuring plan US Airways is implementing to avoid bankruptcy.