

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

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**DL, CO, NW SIGN MARKETING AGREEMENT**

Corporate press release.

The marketing agreement would connect the sizable domestic and international networks of the three airlines and would include code sharing, reciprocal FFPs, and reciprocal airport lounge programs. The marketing agreement will be submitted to the DOT for review and to the Northwest pilots union for approval.

**PROFIT MARGINS AT SOUTHWEST ARE SLIMMER**

Summarized from The Associated Press, 8-21-02:

Southwest's slim 4.5 percent profit margin, down from 9.2 percent last year and 10.7 percent in 2000, makes the airline vulnerable to losses if current disputes with its unions result in high labor costs. Southwest pilots recently ratified a contract extension with a 35 percent raise over four years. Mechanics have asked federal mediators to intervene in negotiations, and flight attendants are also looking for "industry-leading" compensation.

**SOUTHWEST CUTS LONG-HAUL WALKUP FARES**

Summarized from The Wall Street Journal, 8-23-02:

Southwest cut its highest-priced fares by 25 percent in a bid to draw more full-fare business traffic especially on its long-haul routes of 750 miles or more, which are 20 percent of all of its flights. Southwest's percentage of full-fare traffic fell sharply to 32 percent in the second quarter from 39 percent a year earlier.

**US AIRWAYS CUTS CAPACITY**

Summarized from The Associated Press, 8-21-02; The Philadelphia Inquirer, 8-22-02; Los Angeles Times, 8-22-02; The Wall Street Journal, 8-22-02:

US Airways plans to reduce its flight schedule by an additional 13 percent, from 1,550 daily departures to 1,350, and its jet fleet by an additional 10 percent, from 311 to 280. However, the carrier expects to still serve most of the 204 cities it currently serves. The reduction in flights will necessitate layoffs, but it is unclear how many.

**CONTINENTAL CUTS CAPACITY**

Summarized from Houston Chronicle, 8-21-02; Atlanta Journal and Constitution, 8-21-02; The Dallas Morning News, 8-21-02; USA Today, 8-21-02; The Washington Post, 8-21-02:

"Unless market conditions improve quickly, we'll be forced to make further changes in every aspect of our operations," according to Gordon Bethune. Meanwhile, Continental will seek to reduce costs \$350 million per year. The company has reduced capacity 14 percent from August 2001 levels and will seek to reach 17 percent by August 2003. The company, which has reduced aircraft types from 9 to 4, has grounded 49 MD-80s since September and plans to phase out the remainder by 2005. Continental had let go 7,000 workers since September 2001 and hopes to further reduce staff through retirements, voluntary leaves, attrition, and a hiring freeze. The carrier is also adding various passenger fees and renegotiating with suppliers.

### **DEEPER CUTS AT AMERICAN?**

Summarized from the Reuters, 8-21-02:

Don Carty said that deeper cuts may be required "if our major competitors go bankrupt and those airlines use the bankruptcy process to take a huge chunk out of their costs."

### **UNITED AND AMERICAN BACK OUT OF O'HARE PROJECT**

Summarized from The Associated Press, 8-21-02:

United and American Airlines, citing their financial woes, have asked the city of Chicago to scale back or defer construction of the World Gateway project at O'Hare. However, United and American remain committed to the city's \$6.6 billion plan to build new runways and reconfigure existing ones. United has said that "runways are the No. 1 priority at O'Hare to get costs down and whatever is No. 2 will have to wait."

### **PAYROLL IS NICE, BUT OVERTIME IS CHEAPER**

Summarized from The New York Times, 8-22-02:

Working overtime when fellow union members are on furlough is a contentious matter at Northwest, both for labor-labor and labor-management relations. For the carrier, overtime is cheaper than bringing more people on the payroll.

### **MORE SOPHISTICATED COMPETITION FOR AIRPORT PARKERS**

Summarized from The New York Times, 8-19-02:

A new company called the Parking Spot is purchasing off-airport parking lots and attempting to create a brand for the lots. In addition to parking spaces, the Parking Spot offers amenities such as free newspapers and bottled water, high-speed checkout technology, a frequent-parker loyalty program with corporate discounts, a reservations system, and easy-to-identify shuttles that run every five to seven minutes.

### **A REVOLUTIONARY "AIR TAXI"?**

Summarized from The New York Times, 8-17-02:

The new six-passenger Eclipse 500 will cost \$838,000 and \$0.56/mile to operate as opposed to the next cheapest corporate jet, the Cessna Citation CJ-1, which costs \$3.2 million and \$1.75/mile to operate. The Eclipse 500 is currently being tested and, if tests are successful, could lead to passengers being picked up at local airports and flown directly to destinations for the cost of an airline coach seat...a true "air taxi."

### **ORBITZ BOOKS DIRECT INTO AMERICAN RES**

Summarized from the New York Times, 8-19-02:

American Airlines has agreed to allow Orbitz to book directly into its reservation system with eight additional airlines expected to follow suit. The three largest reservations systems, Sabre, Galileo, and Worldspan, charge \$4 per flight segment on each ticket booked. Average flights have 2.5 segments, so the airlines pay \$10 per ticket on these systems. With the new Orbitz system, airlines will pay only \$4 per ticket no matter how many flight segments are involved. The new system will also reduce errors in which flights were offered but were not actually available. The new system was created by only 14 computer programmers and runs on 6 PCs.

**PIGS WILL FLY**

Summarized from The Associated Press, 8-21-02:

The shipment of 50 fiberglass pigs that were destined for an art festival in Ireland will fly after being temporarily delayed by Customs officers in Rotterdam who thought they were filled with drugs.