

JOHN F. BROWN COMPANY NEWSLETTER
Consultants to the Airport Industry

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US AIRWAYS PROCLAIMS, “YOU PAY LESS, YOU GET LESS”

Summarized from US Airways press release, 8-27-02; and the Washington Post, 08-28-02:
To better align price and value, US Airways is implementing several policy changes. Henceforth, any nonrefundable ticket that isn't used will be a complete loss to the traveler. Previously, the value of the ticket could be applied to a future flight taken within the next year, for an additional fee. Other changes include no standby flying for holders of nonrefundable tickets, miles earned on nonrefundable tickets won't count towards premium program award levels, tour and consolidator tickets will become nonrefundable and have no value after the ticketed travel date, and leisure tickets will no longer be eligible for corporate discounts.

UNITED'S REVISED ATSB APPLICATION HINGES ON ITS UNIONS

Summarized from the Chicago Tribune, 8-27-02:
United intends to file a revised application for a federally guaranteed loan on September 16, the airline's CEO, Jack Creighton, stated on Monday. Creighton has warned that the airline might be forced to seek Chapter 11 bankruptcy protection if its unions do not agree to concessions. His comments came as US Airways asked a federal bankruptcy court Monday to void two of its labor contracts. The flight attendants union is demanding that the airline disclose a “viable business plan” before they will agree to any concessions, while the machinists union says its members already have contributed \$500 million.

SOUTHWEST EXPLOITS COST ADVANTAGE

Summarized from the Houston Chronicle, 8-28-02:
Southwest is making a bid for business travelers by reducing its walkup fares by one quarter. Continental, Northwest, and Delta plan to match fares. Southwest CFO Gary Kelly states, “Our cost advantage, vis-à-vis the major airlines, is huge. I would argue our cost is 50 percent lower than the major airlines.” The sources of this cost advantage are: (1) the highest daily aircraft utilization rates in the industry, generally each aircraft is flown 11 hours per day on average, (2) 75 hours of pilot flight time per month, compared to approximately 50 hours for most carriers, and (3) the operation of a relatively simple fleet of 737s.

DURABLE-GOODS ORDERS UP

Summarized from The Wall Street Journal, 8-27-02:
Durable-goods orders, excluding the volatile transportation category, were up 3.9 percent in July.

WHITE HOUSE MOVES TO LOCK DOWN SEPTEMBER 11 AVIATION

Summarized from the Wall Street Journal, 08-29-02:
Advisors within the Bush administration are proposing onerous flight restrictions for foreign flag carriers and general aviation operations to take effect on the anniversary of the September 11 terrorist attacks. The proposal would bar these flights from operating within 30 miles of the three crash sites of September 11, 2001 – New York, Washington, and Shanksville, Pennsylvania. No such restriction will apply to U.S. airlines. The restrictions would be in place during certain periods on September 11 and 12. Opponents of the proposal say there is no rational basis for the restrictions. An FAA spokeswoman refused to explain the thinking behind the restrictions.

BOEING AND UNION FORCED BACK TO TABLE BY FEDS

Summarized from the Associated Press, 8-29-02; and the Washington Post, 8-29-02:

In the midst of voting by Boeing machinists whether to go on strike beginning Monday, government officials ordered the voting to stop, the ballots to be sealed, and Boeing and union officials to report to Washington next Wednesday for mandatory mediation. The current contract will be extended for 30 days. Industry analyst Paul H. Nisbet, with JSA Research Inc. of Newport, R.I., speculated that a strike would be more damaging to the union than to Boeing anyhow. "The aircraft on the line are going mostly to airlines that really wish they weren't coming, so there's very little concern on the airlines' part about deferrals of delivery," he said.

AIRPORT CHECK-IN NO LONGER SO QUIZZICAL

Summarized from the Associated Press, 08-29-02:

As of August 29, ticket counter agents will no longer be required to ask passengers checking in those two security questions: "Has anyone unknown to you asked you to carry an item on this flight?" and "Have any items you are traveling with been out of your immediate control since the time you packed them?" The Transportation Security Administration has determined the procedure never thwarted a terrorist action and only served to hassle passengers.

FRACTIONAL OWNERSHIP "TAKES OFF"

Summarized from CitationShares press release, 8-27-02:

CitationShares, a two-year old business jet fractional ownership company, has more than doubled its business in the past year. In the year since September 2001, the company's fleet has grown from 11 to 30 aircraft, and now serves 250 shareholders, up from 58. Over the coming year, plans call for fleet expansion to at least 46 aircraft.