

## **JOHN F. BROWN COMPANY NEWSLETTER**

*Consultants to the Airport Industry*

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### **US AIRWAYS REACHES KEY AGREEMENT WITH PILOTS**

Summarized from The Charlotte Observer, 8-9-02; United Press International, 8-8-02; The Wall Street Journal, 8-9-02:

US Airways pilots accepted \$465 million in wage and benefit cuts for a 20 percent stake in the airline. US Airways is awaiting a decision from its flight attendants' union on a \$75.8 million concession package and is still in talks with its mechanics, ramp workers, and customer-service and reservations agents. Labor cost reductions and credit restructuring are the key factors in the airline obtaining an ATSB loan.

### **LAWMAKERS BACK UNITED'S BID FOR ATSB LOAN**

Summarized from Reuters, 8-6-02:

30 U.S. Senators and more than 100 members of the House signed letters encouraging the Bush administration to approve a \$1.8 billion U.S. loan guarantee for United Airlines.

### **A DL, NW, CO CODE-SHARE?**

Summarized from The Wall Street Journal, 8-8-02; Atlanta Journal and Constitution, 8-8-02; Dow Jones Business News, 8-8-02; Reuters, 8-8-02:

Delta is reportedly in talks to join in the Northwest-Continental code-share arrangement. Selling seats on NW and CO as if they were DL seats, reciprocal FFPs, and shared airport lounges would be some of the goals. However, any deal would be subject to OK by pilot unions at DL and NW. Moreover, DOT and DOJ requirements could alter plans. The three airlines collectively account for 36 percent of domestic capacity.

### **A SINGLE EUROPEAN AVIATION MARKET?**

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

The EU is challenging the right of individual governments in the union to forge bilateral aviation treaties with the U.S. and Japan. The EU argues before the European Court that it should negotiate aviation treaties for the whole EU. The high court, which is to decide this in October, appears inclined to support the EU's position. If so, the European airline industry could be in for a wave of consolidation.

### **RISING FEARS OF DOUBLE-DIP RECESSION**

Summarized from the Wall Street Journal, 8-1-02; Associated Press, 8-2-02 and Reuters 8-4-02:

GDP grew at a sluggish 1.1 percent annual rate in the second quarter, down from 5.0 percent in the first quarter, according to the Commerce Department. The department also reported that the economy shrank for the first three quarters of 2001 instead of just the third quarter.

### **BRAZIL REACHES AGREEMENT WITH IMF**

Summarized from the Wall Street Journal, 8-8-02:

The IMF agreed to provide a \$30 billion rescue package to struggling Brazil. The rescue package is intended to prevent Brazil's possible default on public debt as well as to stabilize the domestic economy for the October presidential election. The U.S. is endorsing the loan package because Brazil's economy makes up a significant portion of the total Latin American economy. In addition, several U.S. banks and manufacturers have large interests in the country.

### **TSA FUNDS TESTING OF NEW AIRPORT VEHICLE SECURITY SYSTEM**

Summarized from the Wall Street Journal, 8-8-02:

The TSA is funding research for an ID card system for airport vehicles. The ID cards are connected to a central computer that checks if the user is authorized to drive a vehicle and is scheduled to be at work at that hour. The system can also locate vehicles by using a network of orbiting satellites to determine whether a vehicle is in an authorized place.

### **SIGNIFICANT PRICE ELASTICITY FOR SHORT-HAUL TRAVEL**

Summarized from The Transportation Reporter, 8-2-02:

A 1 percent increase in the price of air travel can decrease demand by 0.7 to 2.1 percent in short-haul markets, according to a study prepared for the Canadian government. Air Canada and WestJet are hoping the government will reduce a security surcharge, which is CAD\$12 for a one-way fare and CAD\$24 for a round-trip fare, at least on short-haul routes.

### **FAA JOBS MAY BE OUTSOURCED**

Summarized from The Roanoke Times, 8-8-02:

An executive order signed by President Bush in June says that air-traffic control and aircraft certification services are not "inherently governmental," meaning that non-federal employees can do the job. However, federal officials say there are no plans to outsource those jobs.

### **MIDWAY IS CLOSE TO BECOMING AN AFFILIATE FOR US AIRWAYS**

Summarized from the Associated Press, 8-7-02:

The U.S. Bankruptcy Court gave preliminary approval to Midway Airlines to operate as a commuter affiliate of US Airways as long as Midway obtains a \$5 million loan and five jets.

### **JET CONTRAILS LINKED TO TEMPERATURE CHANGES**

Summarized from the Los Angeles Times, 8-8-02; Chicago Tribune, 8-8-02:

Jet contrails produce cloud cover, which decreases daytime temperatures and increases nighttime temperatures, according to studies conducted during the three days after September 11 when all commercial planes were grounded.

### **BUT HE'S ONE OF OUR BOYS...**

Summarized from the PA News, 8-4-02:

Los Angeles International Airport security confiscated from a British tourist a two-inch-long plastic rifle of a GI Joe toy soldier. They "examined the toy as if it was going to shoot them," the tourist said. A spokesman for LAX said, "We have instructions to confiscate anything that looks like a weapon or a replica."