

JOHN F. BROWN COMPANY NEWSLETTER
Consultants to the Airport Industry

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SAME FLIGHT, TWO VERY DIFFERENT COSTS FOR AIRLINES

Summarized from The Wall Street Journal, 9-9-02:

The estimated cost for a one-way flight between Dulles and Oakland operated by JetBlue is \$14,546, while the same flight on an identical airplane costs \$23,690 for United. JetBlue realizes cheaper cost by flying its planes harder, squeezing more seats on board, selling more than 50% of its tickets on the Internet, having quicker ground times, and not serving meals. In addition, labor costs are tremendously different between the two carriers as labor in the second quarter was 25 percent of revenue for JetBlue and 47% of revenue for United. United's dependence on its hub structure also leads to higher numbers of employees, necessary real estate, and increased flight inefficiencies.

AIRLINES STILL FACE TOUGH TIMES

Summarized from The Dallas Morning News, 9-10-02:

Airlines will have to wait until 2004 or possibly later to break-even according to industry analysts. A year ago, industry analysts were thinking that the industry would begin breaking even in the second half of 2002. The airline industry recovery has been hindered by a struggling economy, the current trend of business travelers to use leisure fares, a capacity glut, and bloated costs.

AMERICAN LOOKING TO DECREASE ITS "PREMIUM COSTS"

Summarized from the Aviation Daily, 9-10-02:

American airline is looking to alter the operating structure that has "resulted in a cost premium that far exceeds (its) revenue premium." Donald Carty is determining what product attributes that "truly drive the revenue premium" and cutting investment in the attributes that are "either an accident of history or something (the airline) invented (itself) that isn't paying off." American still needs to slash costs by \$3 billion annually to remain competitive with the low-cost carriers.

LOW-FARE AIRLINES AND REGIONAL JETS PROPPING UP AIRLINE INDUSTRY

Summarized from The Dallas Morning News, 9-10-02:

Low-fare airlines and regional jets are driving traffic growth at a handful of large airports. However, most large airports still offer fewer flights today than they did a year ago as capacity is down about 9 percent over last year and passenger boardings are down nearly 11 percent over last year.

UNITED TO DELAY LOAN APPLICATION

Summarized from The New York Times, 9-11-02:

United may seek to extend its mid-September deadline to revise its application for a federal loan guarantee. However, United must first examine an upcoming proposal from the airline's coalition of labor organizations in order to incorporate it into the loan guarantee application.

TSA ALTERING ITS POLICIES

Summarized from The New York Times, 9-11-02; USA Today, 9-11-02; Air Transport World, 9-12-02:

The TSA acknowledged that as many as 35 airports will not meet the December 31 deadline for screening all checked bags with explosive-detection machines, however the TSA will meet the November 19 deadline for providing federal screeners at all commercial airports. The TSA also now supports a "trusted traveler" program. Details of the trusted traveler program have not been identified, but will incorporate background checks, as well as occasional security scrutiny, for the program members. Airlines are especially pushing for a national ID system at all of the nation's airports for employees to separate them from the passenger security lines.

GOVERNMENT STILL DEBATING BACKING TERRORISM INSURERS

Summarized from The Wall Street Journal, 9-11-02; Washington Post, 9-11-02:

The insurance industry is hoping to see a bill to backing terrorism insurance passed soon in the House and Senate. Insurers are looking for the government to guarantee at least part of their losses in the event of another major attack causing at least \$10 billion in losses, but the government is torn on whether to provide the backing in the form of grants or loans. Republicans and Democrats are also hung on the government's potential liability for punitive damages in the event of litigation.

U.S. AND U.K. KEEP SKIES "CLOSED"

Summarized from the London Financial Times, 9-12-02; Air Transport World, 9-12-02:

The U.S. government rejected U.K. proposals for a limited liberalization of air services between the two countries. The has also consistently rejected the U.S. template for "open skies" on the grounds that it fails both to open the U.S. internal aviation market to foreign airlines and to end the restrictions on foreign ownership of U.S. carriers. The collapse of the talks dashed the hopes of British Midland, Delta, Continental, Northwest, and US Airways of breaking into the North Atlantic market to and from Heathrow.

US AIRWAYS MAY REDUCE FLEET FURTHER

Summarized from the USA Today, 9-16-02:

US Airways has asked the bankruptcy court for permission to reject "a certain number" of leased and owned planes from a pool of about 150. The carrier had promised that it would not shrink its fleet below 245 planes in bankruptcy as part of its restructuring agreements with pilots and flight attendants. If US Airways rejects all 113 large Boeing jets identified in the filing, it may further reduce its fleet of large jets from 279 to 165. Airline officials say they have not yet decided how many planes they will reject or abandon.

POSSIBLE PRIVATIZATION AT PEOTONE

Summarized from the USA Today, 9-16-02:

Lcor, Inc. is exploring a partnership to build and operate an estimated \$400 million airport at Peotone, an area 45 miles south of downtown Chicago. Should their venture be successful, it would be the first such arrangement for a new airport in the United States. The partnership would not own the land but lease it from the state. The airlines and the FAA have been leery of privatization due to concerns of profits not being reinvested in new facilities. FAA grants for airport projects mandate that profits exceeding benchmark amounts must remain for operations and capital improvements. Lcor, however, is going to use private funding for the venture. They

are wagering that they can attract the low-fare carriers with lower operating costs and that there will be a 10 percent passenger growth rate to support demand at the new airport.

SAY CHOWDA'! CLAMMERS CAN RETURN TO BOSTON'S AIRPORT

Summarized from The Boston Globe, 8-11-02:

A recently signed bill will be allow clam diggers to return to the productive clam beds surrounding Logan Airport. The Boston clammers had been banned from the mud flats due to a 500-foot security zone that was put into effect by the Massachusetts Port Authority. The Massachusetts governor was reluctant to sign the bill due to the possible effects on security. On the other hand, the clammers were enthused and said security would not be affected, because they can easily “distinguish a clam digger from a terrorist.”