



JOHN F. BROWN COMPANY NEWSLETTER

Consultants to the Airport Industry

Thursday, December 19, 2002

WEB-BASED SURVEY TOOL

Summarized from John F. Brown Company press release, 12/13/2002:

As we near publication of our 90th issue, we wanted to use the occasion to get your feedback on our newsletter, and to demonstrate our web-based survey tool.

Our survey is at <http://jfbresearch.com/20021219.html>

On virtually every desk in today's business world is a computer with internet access. This is a potentially powerful conduit through which you could poll your tenants, customers, and other constituents if only you had a way to do it. Now you do. Take a look at our survey and give us a call to discuss how we can put this technology to work for you. For more information, contact Paul Sciortino at psciortino@johnfbrown.com or at (513) 321-6080.

NOVEMBER RMPs AND ASMS DOWN COMPARED TO 2000

Summarized from ATA, 12/19/2002:

RPMs for November 2002 increased 7.2 percent compared to November 2001, but declined 13.7 percent relative to November 2000. ASMs increased 5.8 percent relative to 2001, but declined 10.1 percent relative to 2000. November load factors were 68.1 percent in 2002, 67.2 percent in 2001, and 70.9 percent in 2000.

BOEING TO DEVELOP "BUS WITH WINGS"

Summarized from The Seattle Times, 12/19/2002:

Economics of the Sonic Cruiser have been overtaken by recent events, according to Boeing, which plans to cease development of the cruiser in favor of a "super-efficient" aircraft that could reduce airline operating costs by 15 to 20 percent. Most analysts believe that consumers now prefer lower costs to shorter travel times. The new plane, like the Sonic Cruiser, would replace the 757 and 767 models and would carry 200 to 250 passengers, far fewer than the 550-seat A380, which is scheduled to enter service in 2006. Boeing has resolved to hold R&D expenditures to no more than 3.5 percent of revenues.



FAST ACTION OR BUST FOR UAL

Summarized from Crane's Chicago Business and others, 12/16/2002:

United must begin meeting cash flow targets by February with positive cash flow by March, and with total positive cash flow for 2003 of \$575 million. The cash flow measures are cumulative, starting for the date United filed for bankruptcy protection, so losses since then must be included in the calculation of positive cash flow. Failure to meet any of these targets can prevent the airline from receiving the remaining \$700 million of DIP financing that it has negotiated. [other source: The Wall Street Journal 12/18]

UAL POISED TO ABROGATE LABOR CONTRACTS

Summarized from Dow Jones Newswires, 12/18/2002:

UAL intends to file a motion under Section 1113 of the Bankruptcy Code to allow the airline to cancel existing labor contracts and impose new terms on its workers. The spokeswoman for the Association of Flight Attendants citing the action was "premature and unnecessary" while the chairman of the Air Line Pilots Association stated the process UAL has employed "gives us pause and concern."

UNITED SLASHES FARES AS MUCH AS 40%

Summarized from The Wall Street Journal, 12/19/2002:

United reduced its fares on most of its routes by 10 to 40 percent. Although such a fare cut coming on the heels of a bankruptcy filing "raises the question as to whether this is a sign of financial distress" the analyst continued saying that "this is a typical seasonal sale."

UAL FLIGHT ATTENDANTS

Summarized from New York Times, 12/17/2002:

According to the airline's flight attendants' union, United is now asking for \$2.4 billion a year in labor cost reductions, an amount they say is two-and-a-half times what the unions had offered in November. A spokeswoman for the union said "That's staggering, just staggering. We put our best foot forward to restructure outside of bankruptcy. Now this is two-and-a-half times that."

UAL MECHANICS

Summarized from Chicago Sun-Times, 12/17/2002:

United has asked its mechanics union, which had previously rejected a 7 percent pay cut, for 13 percent pay cuts through 2009. The airline is also proposing the removal of current restrictions governing the outsourcing of work, and the creation of a new class of workers at different pay levels.

UAL PILOTS

Summarized from The New York Times, 12/19/2002:

Unlike any of the other unions at United, the pilots' union has a company-funded trust fund valued at \$2.2 billion at the end of 2001 that is safe from the airline's creditors. Reportedly, as information about the Pilot Directed Accounting Plan continues to emerge, it may exacerbate tensions between the airline's unions.

TAX BENEFIT OF LOSSES - ONE OF UAL'S LARGEST ASSETS

Summarized from Chicago Sun-Times, 12/17/2002:

United may now have a \$1.4 billion tax benefit package in jeopardy. State Street Bank & Trust, which administers the United employees' stock plan, wants to sell stock to prevent workers from losing as much as \$37 million. But, under federal securities laws, that action could trigger the loss of tax benefits resulting from the billions of dollars of losses. In fact, UAL spokesman Rich Nelson refers to the tax benefit as "one of the company's largest assets."

UAL WANTS TO REDO REGIONAL DEALS

Summarized from Dow Jones Newswires, 12/17/2002:

In an effort to cut up to \$80 million per year in costs, United may renegotiate agreements with regional partners Air Wisconsin, Atlantic Coast Airlines, and SkyWest. Furthermore, the bankrupt carrier has also solicited bids from two other, unnamed, regional carriers with whom it currently does not partner. Says J.P. Morgan Securities analyst Jamie Baker, "We don't know who the competing regional airlines are that United has talked to, but the most likely would be Mesa, Chautauqua or Mesaba." Baker believes that United currently pays its regional affiliates approximately \$3,300 per departure.



UAL-LUFTHANSA DEAL COULD SPUR FARE CUTS

Summarized from The Wall Street Journal, 12/18/2002:

Historically, it has been illegal for airlines to sell tickets with their own code for flight segments that begin and end outside their home country. All this could change as a result of a European Court of Justice ruling that found nationality clauses in bilateral treaties between the EU member countries and the US to violate the EU's single market-principle. United and Star alliance partner Lufthansa are already planning to take advantage of the ruling. The two airlines plan to assign Lufthansa flight numbers to United flights between the US and European countries, other than Germany.

US WON'T RELEASE RESERVE OIL DESPITE VENEZUELA'S SHUTDOWN

Summarized from The Wall Street Journal, 12/18/2002:

The U.S. crude-oil benchmark soared above \$31 a barrel in intraday trading Wednesday after an overall strike in Venezuela, the fourth-largest oil supplier to U.S., entered the third week. The crude oil price jumped above 20 percent in the last month and is more than 57 percent from a year ago. However, the Bush administration said it won't release oil from the country's Strategic Petroleum Reserve.

LEHMAN PREDICTS SLOW ECONOMY GROWTH IN EARLY 2003

Summarized from Wall Street Journal, 12/17/2002:

Lehman chief economist Ethan Harris predicted US GDP growth rate to be 1.5 percent in first quarter 2003, much lower than 2.7 percent growth rate published by Blue Chip Economic Indicators survey last week. However, Lehman's 3.0 percent forecast for 2003 was in line with the survey.

CONSUMER CONFIDENCE RECOVERING, INFLATION TAME

Summarized from Wall Street Journal, 12/17/2002:

The University of Michigan consumer confidence index rose to 87 in December from 84.2 in November, but is still not far from the nine-year low reached in October. On a more positive note, the Department of Labor reported that Consumer Price Index rose only 0.1% in November, supporting the consensus that tame inflation would not prompt Federal Open Market Committee to hike interest rate in early 2003.

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