



# What's Up

Tom Borkowski (BOS)  
US AIRWAVES Staff

## FAA

Robert Poole, director of transportation studies at the Reason Public Policy Institute, said that the administration's executive order that would reorganize the air traffic control system into a performance-based unit within the FAA is inadequate. Poole, whose group plans to publish a "detailed report on how to shift ATC from the FAA to an independent, nonprofit, stakeholder-controlled ATC corporation" early in 2001, called the administration plan a "useful first step" that would fund the new entity with user fees, "replacing the current excise taxes paid to the U.S. Treasury." Poole noted that in efforts under way in more than 20 countries "...international ATC corporations are legally separate entities accountable directly to their aviation customers [and] ...are run by non-political boards of directors and headed by a true CEO and top management team, generally recruited from the high-tech industry and compensated accordingly."

*(Aviation Daily, Dec. 13)*

## Industry

Northwest CEO John Dasburg blamed labor disputes as the "most serious problem facing the industry" that prevents his and other carriers from running reliable operations. In a speech to the Wings Club in New York, Dasburg said the industry cannot survive a labor strategy that starts with unions "making wildly unrealistic economic demands," then initiating work actions that in effect "take customers hostage," and then waiting along with the other side for pressure from the public and government "to induce management to reach uneconomic and potentially franchise threatening agreements." As a means of preventing such actions during contract negotiations, he said that "the status quo provisions of the RLA [Railway Labor Act] must be enforced with injunctions and contempt of court rulings if necessary."

*(Aviation Daily, Dec. 15)*

Industry experts are in agreement that startup airlines need at least \$100 million to launch and that those starting with little cash, depending on bridge financing, or having poor business plans will most likely fail. According to Darryl Jenkins, director of the Aviation Institute at George Washington University and author of a study on why startups fail, small carriers such as AccessAir, Legend, National, and ProAir have filed Chapter 11 bankruptcy in the past 12 months, largely because of poor business plans, weak route networks, or CEOs who simply didn't know how to run an airline. Julius Maldutis, CIBC Oppenheimer airline analyst, said that the three critical pieces to a startup are management, which includes the right capitalization; the right airplanes; and the right business model. "One of the recurrent themes [to failed startups] was they were poorly capitalized," he said. "You can't start an airline with \$60 million anymore. Some fail because they have the wrong airplanes. Some fail because they have the wrong business model. Some fail because they got all three wrong."

*(Aviation Daily, Dec. 8)*

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**AirTran**

The airline began service this week from Pittsburgh to three destinations: Atlanta, Chicago Midway, and New York LaGuardia. AirTran will operate two daily nonstops to Atlanta and three each to Chicago and New York. The carrier also began flying one daily nonstop between Atlanta and Grand Bahama Island.

*(Aviation Daily, Dec. 15)*

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**America West**

America West Holdings Corporation announced that Continental Airlines, Inc. has sold to it all 158,569 shares of Class A Common Stock of America West held by Continental, and has assigned to America West its rights (including certain first refusal rights) under a related agreement between Continental and TPG Partners, L.P., and certain TPG affiliates. America West paid Continental \$10.8 million as consideration. Continental had acquired the shares in connection with the 1994 reorganization of America West Airlines, Inc. (now a wholly owned subsidiary of America West Holdings).

*(PRNewswire, Dec. 27)*

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**American Eagle**

The regional affiliate of American Airlines launched regional jet service between Greensboro, N.C. and Chicago O'Hare. The airline will offer three daily roundtrips (two on Saturdays) with the 50-seat Embraer ERJ-145 regional jets. The new flights double American Eagle's operations at Greensboro, where it already offers the same number of regional jet flights to New York LaGuardia.

*(PRNewswire, Dec. 15)*

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**Atlantic Coast Jet**

The Delta Connection carrier will suspend service between Burlington, Vt. and New York LaGuardia after January 30, as a result of the FAA's lottery that reduced the number of LaGuardia flights Delta Connection carriers can operate. On January 31 ACJet will begin operating five daily nonstop roundtrips between Burlington and Boston, using the 32-passenger Fairchild 328JET.

*(PRNewswire, Dec. 19)*



**Atlantic South-east Airlines**

The Delta Connection carrier will add an additional daily nonstop between Atlanta and Worcester, Mass. on April 1. All ASA flights from Worcester will be operated with the 50-seat Canadair regional jet.

*(PRNewswire, Dec. 28)*

**Continental Express**

The regional airline subsidiary of Continental Airlines will begin twice daily service between Madison, Wis. and New York LaGuardia on January 31. These new flights, the first nonstops from Madison to the New York area in 50 years, will be offered in the 37-passenger Embraer ERJ-135 regional jet. Continental Express was able to begin this service after acquiring 20 AIR-21 slots in the LaGuardia slot lottery held on December 4.

*(PRNewswire, Dec. 20)*

**Delta**

The carrier will add a second daily roundtrip between Atlanta and Paris on January 26. The new flight, which will use the B-777, will be codeshared by Delta's SkyTeam alliance partner Air France.

*(PRNewswire, Dec. 28)*

Delta began daily nonstop service between Atlanta and Montego Bay, Jamaica. The flights will be offered in B-757 aircraft, configured in first and economy class. In addition, Delta will offer codeshare service on Air Jamaica's three daily flights between Atlanta and Montego Bay. Air Jamaica will offer codeshare service on Delta's new flight.

*(PRNewswire, Dec. 15)*

**Legend**

The airline plans to resume service between January 15 and January 20 with the help of a debtor-in-possession (DIP) loan, pending approval by the bankruptcy court and a DOT fitness review. Legend CEO Allan McArtor, while declining to say how much money the loan will provide, said the loan would be "a substantial amount" that should carry Legend through to profitability in 2001. The carrier had filed for bankruptcy December 3 after a bridge loan failed to materialize. According to airline consultant Michael Boyd of the Boyd Group, Legend, unlike most startups that fail, had a business plan which was working before one of its investors pulled out.

*(Aviation Daily, Dec. 22)*

**Midwest Express**

The airline painted a dismal picture of its fourth quarter as it announced that it will post a loss for the period. Predicting a loss of between 40-50 cents per share, compared with a profit of 53 cents in 1999, the carrier blamed poor weather and higher maintenance expenses for the decline. CEO Tim Hoeksema added that traffic has fallen due to the introduction of new routes, higher fares, added competition, and "corporate discounting issues."

*(Aviation Daily, Dec. 22)*

**National Airlines**

The airline, continuing to fly uninterrupted service less than a week after filing for Chapter 11 bankruptcy, is aggressively seeking funds from new sources, including several casino companies. "We have continued operating without skipping a beat," said CEO Michael Conway. "It's business as usual." Even before the bankruptcy filing, the Las Vegas-based carrier was in discussions with new investors.

*(Aviation Daily, Dec. 13)*

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**Northwest**

The airline and its Air Line Pilots Association unit will exchange contract openers earlier than scheduled. The current deal becomes amendable September 13, 2002, but the two sides will exchange openers in January, 2002, rather than June 13, as planned. Both sides hope to reach an agreement by the amendable date.

*(Aviation Daily, Dec. 11)*

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**Piedmont Airlines**

Flight attendants at the US Airways Express carrier voted overwhelmingly to strike. Ninety-nine percent of ballots cast by members of the Association of Flight Attendants supported the job action. According to AFA, wages top out at \$24,000 a year for a flight attendant flying a 75 hour yield, which is comparable to a 40 hour workweek.

*(Aviation Daily, Dec. 22)*

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**Southwest**

The airline announced the addition of new nonstop and direct (one or more stops, no aircraft change) flights on April 1. The new nonstops include a daily flight between Albuquerque and Portland and an additional daily flight between the following city pairs: Albuquerque and Orlando; Austin and San Diego; Austin and Raleigh-Durham; Chicago Midway and Ft. Lauderdale/Hollywood; and Chicago Midway and Las Vegas. The new direct service includes an additional daily flight between Orlando and Portland and between Raleigh-Durham and San Diego.

*(PRNewswire, Dec. 19)*

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**Trans World Express**

TWA regional jet service provider Chautauqua Airlines will link Pensacola, Florida and St. Louis on February 10. The new service will consist of three daily roundtrips flown in 50-seat Embraer ERJ-145 regional jets.

*(PRNewswire, Dec. 19)*

## United

The airline plans to halt daily nonstop flights between Chicago O'Hare and Honolulu on February 15, bringing to an end service that has been offered since 1969. United spokesman Joe Hopkins said the demise of the route is tied to the retirement of the last three DC-10s in United's fleet of more than 600 planes. The decision is not popular with the pilots union. "We always viewed that service as one of the mainstays of our operations, something we took a great deal of pride in," said pilot Herb Hunter, a spokesman for the Air Line Pilots Association at United. Both American and American Trans Air plan to continue their nonstops between Chicago O'Hare and Hawaii.

*(Associated Press, Dec. 28)*

United reached agreement with Pennsylvania and Allegheny County on its \$160 million plan to expand the maintenance operations and overhaul existing facilities of US Airways in Pittsburgh, if the proposed merger of the two carriers gains approval. The plan includes \$130 million for two new hangars with four aircraft maintenance bays and \$30 million to refurbish four existing US Airways maintenance hangars.

*(Aviation Daily, Dec. 22)*

The carrier's capacity growth in 2001 will be slower than planned, largely because of the accelerated retirement of its B-727-200 fleet. Anticipating higher costs for fuel and labor, the airline will retire 25 of its 75 B-727s in 2001, nearly a full year ahead of plan. As a result of the early retirements, United will buy 13 Airbus A319s and A320s for delivery in the fourth quarter of 2002.

*(Aviation Daily, Dec. 20)*