

# **Welcome**

## **6<sup>th</sup> Annual International Jet Fuel/Airport Operations Conference & Exhibition**

*John H. Armbrust  
President*



# Short History

## **Era of Airline Dominance (20's – 70's)**

Military Airports Convert to Commercial

Airlines Receive Long Term Favorable Leases

CAB Ensures Survival, Reduces Competition

Employee Contracts Fair and Reasonable

True Service Industry – Unique Experience

# Short History

## Early U.S. Pioneers

**American Airlines**

**Delta Air Lines**

**Eastern Airlines**

**Pan American Airways**

**Trans World Airlines**

**United Air Lines**

# Short History

## Deregulation Erodes Airline Dominance

CAB Protection Gone

Fares Unregulated

Upstarts Take on Pioneers

The Low Cost Carrier Era Begins

From 8% to 50% in Five Years

Pioneers Costs Soar

# Short History

## Boom - Bust Cycle

Spiraling Labor & Fleet Costs

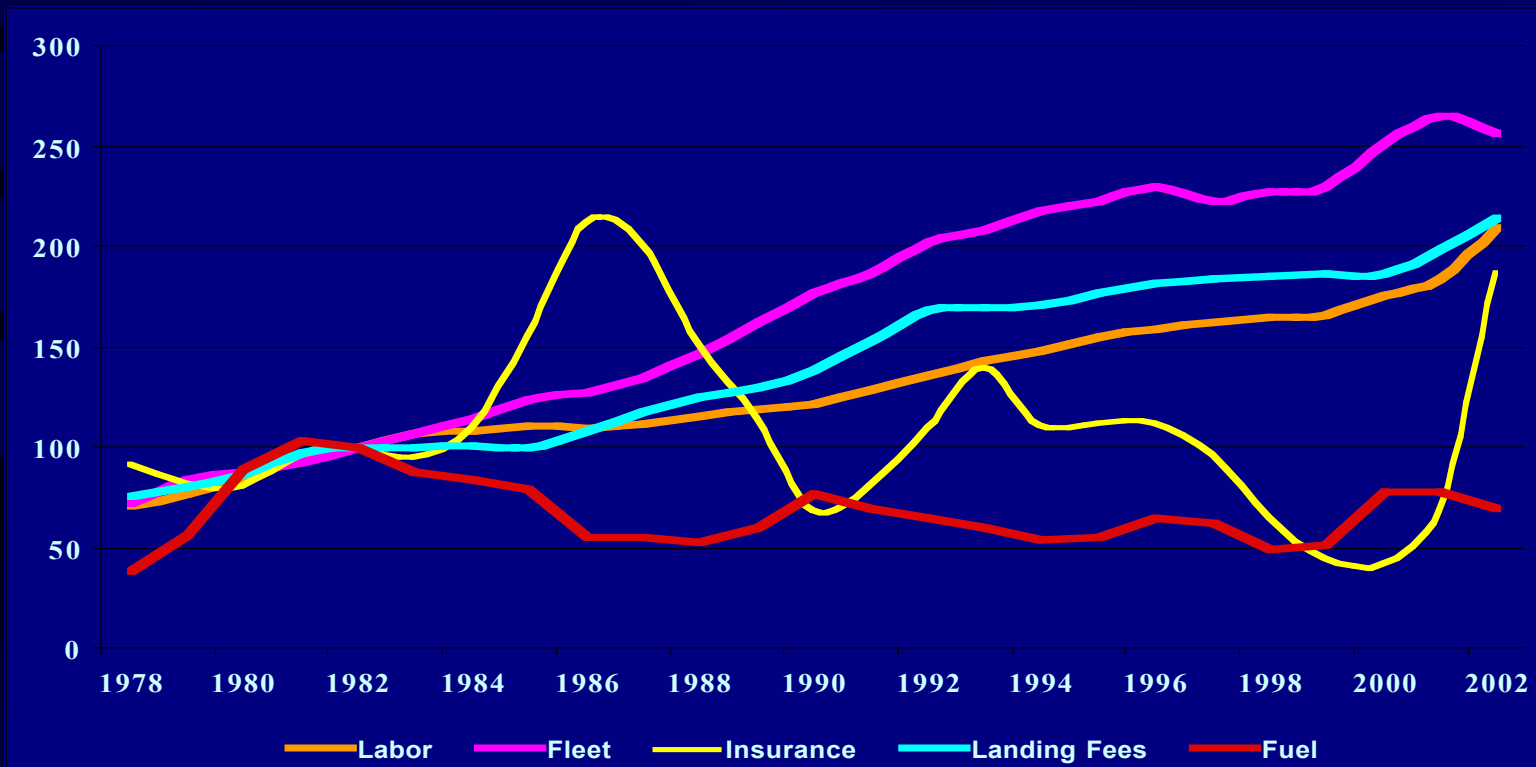
Overcapacity, Shrinking Yields

Low Cost Competition

Industry Consolidation & Concentration

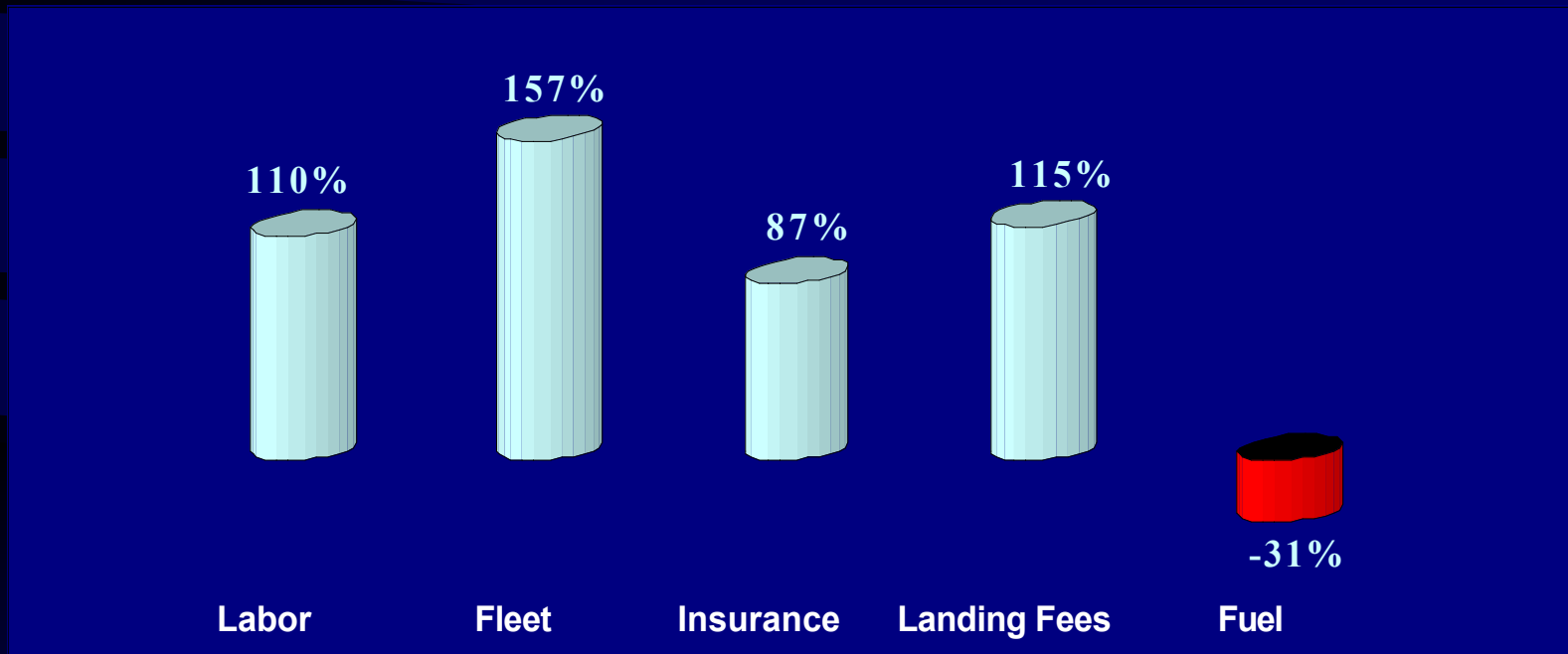
Infrastructure Capacity Constraints

# Airline Cost Index Since Deregulation (1978-2003)



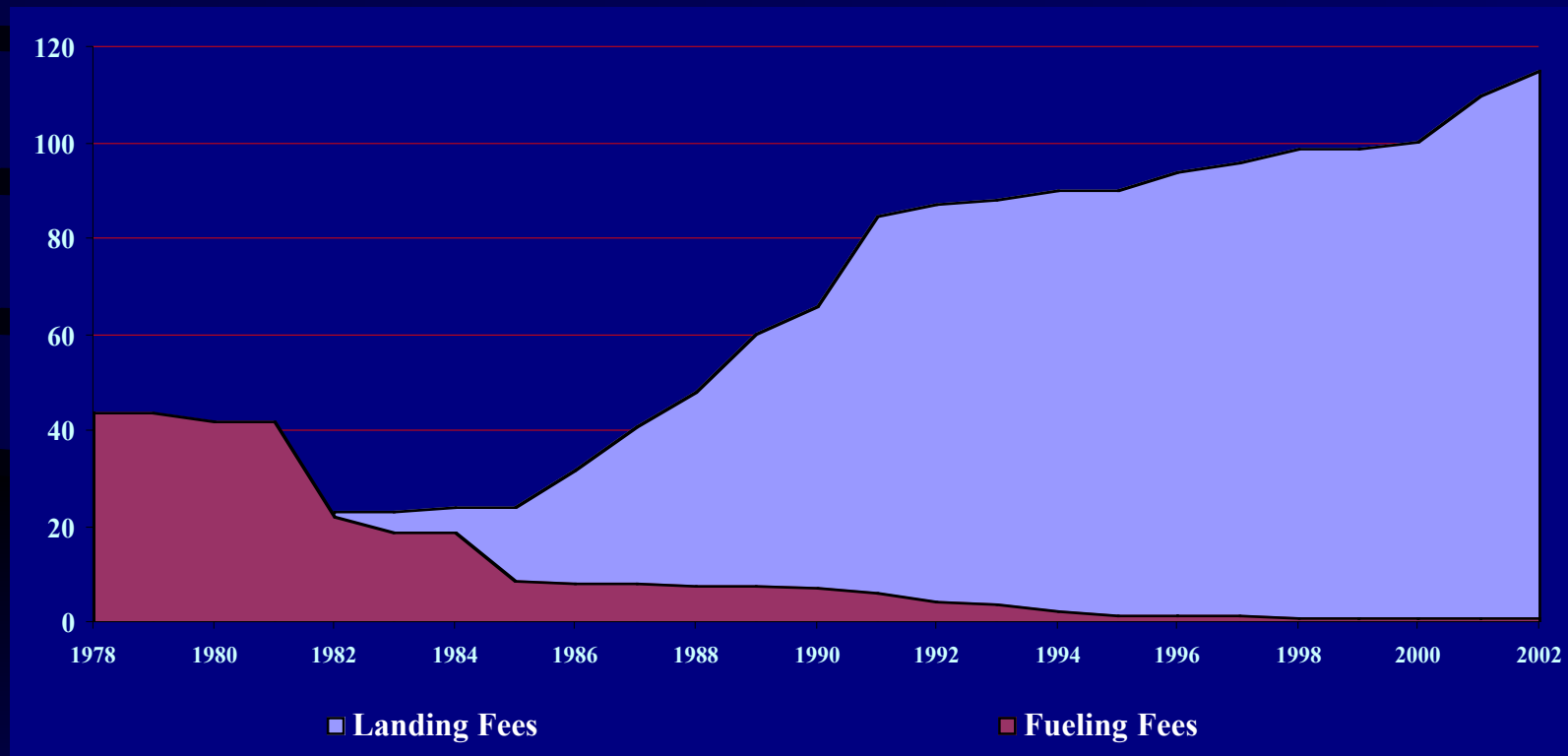
Source: Air Transport Association

# Airline Cost Increases Since Deregulation (1978-2003)



Source: Air Transport Association

# Airline Costs: Landing Fees vs. Fueling Fees 1978-2003 (%)



Source: Air Transport Association

**9/11 Changed the World**



# Old Airline Business Model

Airline Debt Load \$125 billion

Pension Shortfall \$20 billion

## Airline Breakeven Load Factors

All	83%
Air Tran	66%
Alaska	73%
America West	79%
American	90%
ATA	84%
Continental	82%
Delta	86%
JetBlue	68%
Northwest	84%
Southwest	59%
United	90%
US Airways	88%

# Core Business

## Airlines

Aircraft

Pilots & Flight Attendants

*Virtual Airline Model - AirTran*

## Airports

Runway

Jet Fuel

*Revenue Airport Model - Rental Cars, Concessions, Parking*

# Era of Airline Dominance Ending

## Airports Exerting Control

Non - Aeronautical Revenue

Protect Bond Ratings

Special Facility Bond Defaults

UAL \$1.7 Billion

(BOS, DEN, IND, JFK, LAX, ORD, MIA, SFO)

More Control

Flexibility to Lure Low Cost Carriers

# Airport Ramp Operations

## Airlines Look to Outsource

Operational Liabilities

High Salaries

Increased Insurance Costs

Increased Delays

Environmental Remediation

Call on Capital

Fuel Facilities

Equipment

# Airport Ramp Operations

## Airports

CUTE Becomes CURE on the Ramp

Ramp Equipment

30% Oversupplied

50% Utilized

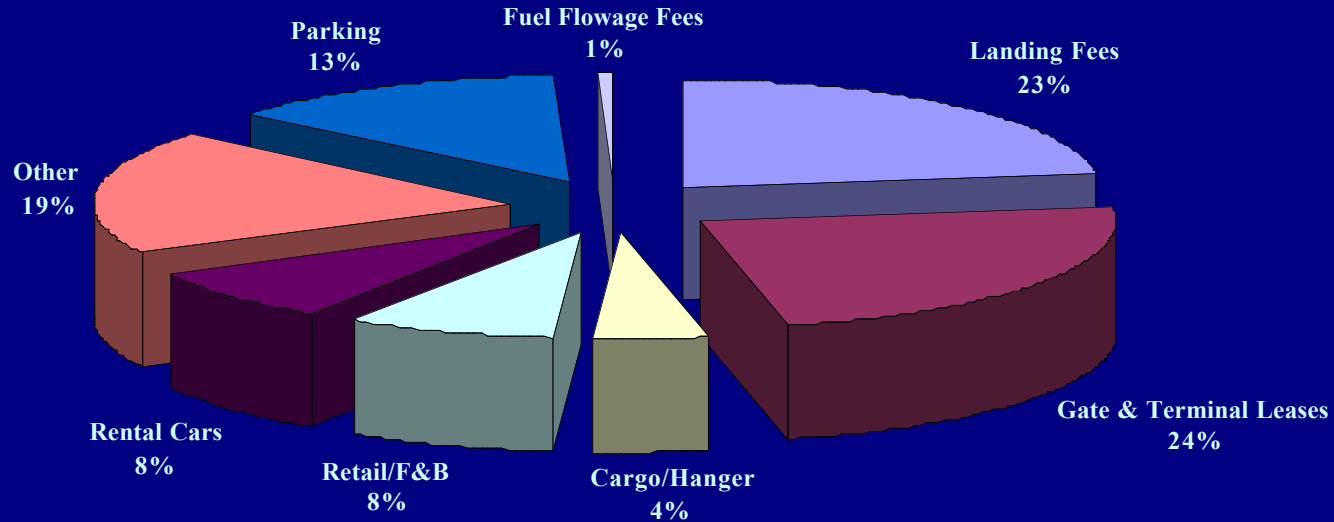
Increased Flexibility

Common Use Concept

Lure Low Cost Carriers

Improved Efficiency

# Airport Revenue Pie 2002



Source: FAA

# Cost Pressures and Ramp Safety

## Typical Costs

**Airport** **\$4 Billion**

**Airplane** **\$200 Million**

**Crew Salaries** **\$1 Million**

**Jet Fuel** **\$30,000**

**Fueling Costs** **PRICELESS**

**\$18**

# Cost Pressures and Ramp Safety

## Consequences

Increased Incidents

High Employee Turnover

Poor Training

Substandard Maintenance

Fuel Quality Problems

Failure to Follow Procedures

# Increased Accidents on the Ramp



# Increased Accidents on the Ramp



# Increased Accidents on the Ramp



# Ramp Congestion



# No One Minding the Store



# No One Minding the Store



# Airport Operators Say...

*“There have always been problems but it has gotten a lot worse, and I’m afraid its going to take a really major incident before anything will change.”*

*“It’s absolutely beyond your imagination, the current situation is an absolute, positive disgrace.”*

*“You’ve got a \$50 million-\$200 million airplane, you’ve got 200-300 souls on board, you’ve got pilots and cargo, at least \$200,000 worth of refueler truck and its being driven by a guy who literally would make more money if he cleaned the toilets in the terminal.”*

# Industry Working Together

*"In aviation, after we identify a problem we have a long history of dealing with problems in a cost effective manner. The purpose of the fact finding session is to identify whatever problems may exist and to formulate solutions. I invite all interested parties to come and share their thoughts," John J. Goglia.*

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