Airlines Are Losing Financial Altitude Fast

by Anita Gallagher

By every real measure, airlines in the United States and worldwide continue their financial free-fall that began well before Sept. 11. Cutbacks in flights and at least 140,000 layoffs in the aviation industry have not begun to stem the hemorrhaging, as the airlines still face $700 million in security expenses, with the $5 billion emergency bailout from Congress already used up.

The only happy people on the financial side are Wall Street predators, who want to go further than deregulation allowed, and use the near-bankruptcy of the airlines to ram through mergers and acquisitions, extort "givebacks" from unions (for pilots to $22,000-per-year flight attendants), and cut back "unprofitable" routes, letting isolated parts of the U.S. be damned—in anticipation that regulators might allow all this "to save the airlines from bankruptcy." Indeed, Federal Reserve Chairman Alan Greenspan, Treasury Secretary Paul O'Neill, and Transportation Secretary Norman Mineta have designated deputies to fill their posts on the Air Transportation Stabilization Board, leaving only Comptroller General David Walker remaining, to make the ugly, political decisions, as to which carriers' austerity measures merit the $10 billion in loan guarantees.

U.S. Democratic Presidential pre-candidate Lyndon LaRouche has insisted that on the contrary, only bankruptcy protection can save the transport function of the airline industry and its workforce from being looted and sold for scrap. As LaRouche explained to the Society of Economic Scientists of Guatemala on Nov. 13 (*EIR,* Nov. 23), government has the responsibility to uphold the general welfare of all of the people, in all of the territory of a nation. To do that, LaRouche said, "The point is, most of the existing [economic] policies simply have to be wiped from the books. . . . And therefore, we act according to the moral principle, to *cancel* all outstanding agreements which are contrary to the general welfare of a *nation* or a group of nations."

Whistling In The Dark

While LaRouche alone has put forward a Chapter 11 bankruptcy solution to save the airlines—which the Democratic Party, President George Bush, and the unions have yet to seriously consider—their non-solutions are producing financial chaos.

The U.S. Treasury Department is, for the second time, extending by two months a deadline for airlines to pay $2 billon in Federal excise taxes on passenger tickets. The deadline had already been extended to Nov. 15 under the bailout package. The tax collections support improvements at small and medium-sized U.S. airports, as well as the Federal Aviation Administration.

Phoenix-based America West, the eighth-largest U.S. carrier, became the first airline to go to the Air Stabilization Board for a loan guarantee, asking for $400 million. The Board had made known that it would award the guarantees (no money!) based on the givebacks and concessions the applicants had extracted. America West submitted agreements for $600 million in concessions from aircraft suppliers, state and local authorities, and other collapsing entities. America West had been widely believed to be headed toward insolvency before Sept. 11.

United Airlines, in a move that will be repeated by many an airline, announced that it would defer delivery of 43 jets from Boeing and Airbus for 2002-03, and buy only 24 of the 67 planes originally planned. This will save United, currently losing $15 million a day, about $2.5 billion.

Boeing, reeling from the cancellation of plane orders, announced a layoff of 30,000 in September. Boeing has already reduced the planes it will build this year from 538 to 522; in 2002, it now plans to build 350 of the 520 it expected, and says 2003 will be still lower. Boeing's competitor, Europe's Airbus, produced 320 planes this year instead of 330 planned, and its CEO Noel Forgeard says it expects to produce 300 in 2002, though it holds 375 of what might be called "*formerly* firm orders."

Boeing is now desperately lobbying the U.S. Congress to make its 767 the next generation of Air Force tanker. This would commit the military to lease 100 converted 767s to begin replacement of the aging KC-135E tankers, at a cost of $16-20 billion through 2012.

In an example of a predator waiting in the wings, BBC news has reported that "British Airways is set to capitalize on the new readiness by regulators to allow airline consolidation in the wake of 11 September, by finally clinching a partnership deal with American Airlines." American is the largest U.S. carrier. Without the $500 million in bailout money, American would have lost almost $1 billion from July to September. On Nov. 19, rival ailing carriers Delta, Northwest, and Continental asked for a court hearing on the proposed partnership. British Airways itself is losing £2 million ($2.8 million) per day.

In Canada, the airlines have asked the government to pay for new security measures that will cost close to $1 billion. Previously, airlines paid such costs themselves.

Thai Airways CEO Virabongsa Ramangkura said, "If we continue managing the way we have, I can guarantee that in no more than three years, the company will collapse." Every airline official in the world might say, "Amen," adding under his breath that it won't take three years. It is now time for the airline industry to listen to Lyndon LaRouche.