Transport Central

A Nosedive for the Proud Bird

■ It began rather inauspiciously in mid-September, with the announcement that Continental, like many of its contemporaries, was losing heavily and was in the process of negotiating with its unions for the wage and benefit concessions necessary to keep the ailing "Proud Bird" alive.

On September 21, for example, an Associated Press report quoted a pilot's union official as saying that members of his union were expected to accept $60,000,000 in pay and/or benefits cuts as their part in helping Continental get back in the black. Even though talks with the flight attendants local broke off two days earlier, the Airline Pilots Association secretary said his members were "strongly supportive" of the airline's cost-saving proposals that would call for a reduction for the pilots in pay or benefits, an increase in work hours for the same pay, or a combination of all three.

Continental had lost $84,000,000 in the past six months, and had asked its workers to help cut its costs by $150,000,000. The airline was the subject of a hostile takeover by Texas Air last year, largely orchestrated by Frank Lorenzo, the maverick executive who escalated Texas International to a position of prominence in the industry. Lorenzo was not without his detractors among Continental personnell, however, and the apparent ease in obtaining concessions from the often hard-lining unions gave some industry observers pause. According to the company, in fact, the pacts were just about sewed up (with the exception of the flight attendants), and it appeared that Continental was well on its way to a dramatic rescue from the sea of red ink in which it was foundering.

Then came the startling announcement: Continental was filing for bankruptcy under Chapter 11 (giving it protection from its creditors while it attempts to reorganize). The action, which headlined the normally somnolent weekend TV news programs, was unexpected, because the airline (the eighth-largest in the U.S.) has substantial reserves that could be easily converted to cash and a relatively light debt load. Indeed, according to Lorenzo himself, the sole precipitating factor in the bankruptcy action was labor. In effect, the airline is using the bankruptcy courts to modify (and, apparently in some cases abrogate) its labor contracts.

Lorenzo elaborated on his action by saying that Continental was forced into bankruptcy by pilots and flight attendants who have "continuously rebuffed" the airline's requests to pare about $100,000,000 in labor costs. The unions, for their part, profess their abhorrence at "gangster" tactics on the part of management, and vow that Lorenzo will never be allowed to "remove unions from the property".

To give the bankruptcy move legal standing, the airline ceased operations over the weekend, planning to resume service as the "New Continental" three days later–with a drastically pared route network and fares to match.

Those Continental employes who will be called upon to work at the "new" carrier (some 4,200 of the airline's 12,000-person former staff) will receive about half of their previous salary, and labor under new work rules that will cut overall operating expenses about 25%.

The restructured carrier is to fly from only 25 of the 78 cities it formerly served, using about half its fleet of 100 planes. For the first week of operations, each leg of a flight would cost the traveler $49 (to be raised to $75 October 1). Not surprisingly, the low fares (planned by Lorenzo as part of his strategy to transform Continental into the "largest of the budget carriers) horrified the competition, just now themselves struggling out of their own financial difficulties brought on by a series of fare wars. Nevertheless, Frontier immediately said it would match Continental's new rates in markets where they compete, and other carriers were considering similar action.

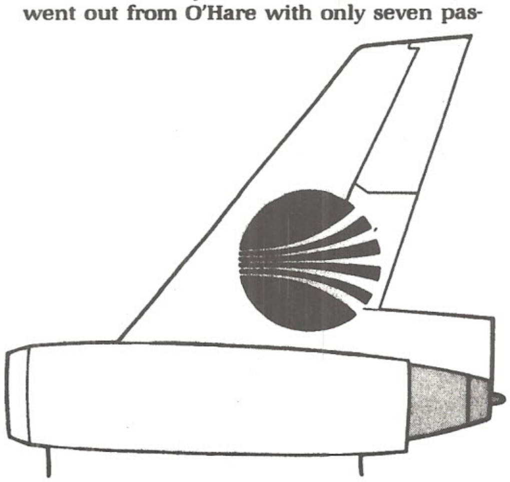
The bankruptcy, apart from easing (or perhaps in the long run exacerbating) the airline's labor problems, will give Continental some breathing room, and permit the restructuring to take hold if there is any chance for such a slimmed-down carrier to survive. For one thing, the airline will not have to make any payments on its substantial ($650,000,000) debt, nor will it be required to offer the 65% of its work force now idled any severance pay or other benefits. Continental is also protected by the court from any attempt by its creditors to seize any assets. The court can also compel other airlines to honor ticketing-interchange agreements currently in effect, and can order the abolition of any or all union contracts (the airline has requested both options).

However, the strategy employed by Frank Lorenzo is not without its hazards as well. On the one hand, Continental's creditors might succeed in ousting the present management in favor of a trustee. The airline also may have a difficult time keeping the bankruptcy from spreading to its parent Texas Air Corporation, and that firm's subsidiaries, Texas International Airlines, New York Air and three new spinoffs from Continental that oversee the latter's international service.

While fraught with difficulties, the action taken by Lorenzo and his troubled carrier may be the wave of the future. Braniff has apparently proven that financial embarrassment is not a one-way ticket to oblivion as was once the case (though the underlying causes were dissimilar, Continental is expected to take more than one leaf from Braniff's book–in fact, some of the attorneys will even be the same).

Despite the controversy swirling about the airline as a result of the weekend actions, Continental prepared for business on Tuesday, September 27; perhaps it was not "business as usual", but nonetheless it was commerce of a sort.

One of the effects of the temporary suspension of service was a closing down of the company's reservations bureau. Thus, anyone wanting to take advantage of the airline's cut rates had to appear in person at a ticket office or the airport to secure passage. Even though the "birth" was well-ballyhooed in the press and on television, initially there was confusion about whether or not the airline was actually going to be able to fly–and to where, and when, effectively cutting down on first-day revenues. In fact, one flight went out from O'Hare with only seven pas-



INTERFACE

COMMENTARY

Welcome to Reorganized Air

[A different commentary on deregulation, from the pages of USA Today.]

"Welcome aboard Reorganized Airways; I'm your pilot, Hank Whitebread.

"We're cruising at 35,000 feet and I'm working for $3.25 an hour plus tips. Your copilot is Dusty Blander; he flies for room and board.

"If we can do anything to make your flight more pleasant, don't hesitate to ask one of the cabin attendants–they're indentured servants.

"And yes, we're all really sorry we didn't accept the 80 percent pay cut when we had the chance. Since Reorgan Air danced through the bankruptcy courts, we've done a lot more than bust the unions. We've emerged a leaner, more efficient operation, capable of flying you folks from Chicago to Houston for $1.89 and still make a tidy profit.

"As more cost-cutting measures are introduced, we'll set fares still lower. Early next year, we'll inaugurate our Boston-Washington commuter run for a low, low 65 cents. And by next spring, if you fly us from Los Angeles to San Francisco, we'll pay you five bucks.

"But Reorganized Airways is more than great fares. We're an innovative company with new ideas for the air traveler of today, and the day after.

"There's our Favored Flyer Class, where you the passenger get to do us the airline a favor. On your way home from the terminal, how about dropping off a few packages around town. Just be sure that you absolutely, positively get them there by 10 a.m. and we'll knock 15 percent off your fare.

"If you look around, you'll see that some of your fellow passengers are flying Maid Service. A long flight can be pretty dull, so why not break the monotony by running a vacuum cleaner over the carpet or emptying the ashtrays. It means a cleaner air craft for us and big savings for you.

"Can you cook tasteless food, pass out magazines, land a 747? Talk to us, and we'll work out a new class just for you.

"Uh, oh, Bernie Levenson, our guest navigator on the flight–he does just such a swell job, it's hard to believe he's really a mailman–informs me that we're approaching the drop zone. Will all passengers flying Budget ParaClass please pick up their gear and assemble at the rear door?

"To them, and to those of you continuing on to the actual airport, I want to say on behalf of the entire company, thanks for flying the deregulated skies."

–Randy Cohen

Last train from Randolph Street; CSS&SB 14, et al, September 25, 1983.–TC.

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A Note from the Staff: This issue represents yet another phase in the continual upgrading of TC; you will note our livelier graphics, the addition of more art and pictorial matter, and a re-emphasis on lengthier news pieces. At the same time, we are returning to our twice-monthly schedule to provide a more timely news service; our nominal issue dates for the remainder of this year (except in December) will be the 8th and 15th of each month. More changes are yet to come.

sengers, necessitating their all being seated forward in the cabin so as to provide a proper aerodynamic balance for the aircraft.

Apparently, enough employes of the "old" Continental called back by its "new" offspring reported for work to provide a staff numerically strong enough to resume operations; no significant delays (or short-staffing) were reported.

Notwithstanding union challenges (about which more later), Continental must fill those empty seats quickly to avoid further financial problems. Best estimates of loadings in recent weeks have had Continental's planes flying less than half-full. To ensure a break-even record under its new guidelines, Continental will have to fill more than a third of its seats; for a profitable existence, the figure would be substantially higher. Even though the carrier has substantial funds at its disposal (almost $300,000,000 from various sources), empty seats would chew up that reserve in a hurry.

The slimmed-down airline will initially use the 35% of its former work force to serve a total of 25 cities with various flight patterns; Continental will fly to Austin (TX), Baton Rouge, Burbank (CA), Chicago, Cleveland, Corpus Christi, Denver, Fort Lauderdale, Houston, Kansas City, Lafayette (LA), Los Angeles, Minneapolis/St. Paul, New Orleans, New York (La Guardia), Oklahoma City, Orlando, San Antonio, San Diego, San Francisco, Seattle/Tacoma, Tampa/St. Petersburg, Tulsa, Washington (Dulles), and Wichita (KS). Among the cities dropped by the airline are Boston, Detroit, Las Vegas, Miami, Portland (OR) and St. Louis. Most other airlines will honor unused tickets to points abandoned by Continental (with some limitations); cash refunds from the struggling carrier will not be available.

Possibly in preparation for the bankruptcy move, Continental's parent Texas Air Corporation spun off its ward's international routes into new subsidiaries some time ago. Those services are continuing without interruption, leasing aircraft and contracting crews and ground handling from Continental.

In the South Pacific, Continental Pacific will serve Fiji, Auckland, Melbourne and Sydney. South of the border, Continental Mexico will serve Acapulco, Cancun, Cozumel, Manzanillo, Mexico City and Puerto Vallarta. In Venezuela, Continental Venezuela will serve Caracas and Maracaibo.

Neither of the two remaining subsidiaries of Texas Air, Texas International nor New York Air will be affected by any service cuts; the parent controls about 90 percent of the stock of Continental and about 75 percent of New York Air (as well as 100% of Texas International, out of which the holding company grew).

The airline's creditors were for the moment in a holding pattern of their own, waiting to see if the reincarnated Continental can hold its own. Most apparently believe (as in the case of Braniff) that their investment will be safer if the carrier undergoes a successful rebirth, and are willing to take the risk now, rather than propelling the airline into immediate liquidation. Nonetheless, some of the line's creditors are banding together to explore that alternative; meetings are to be held within the next five weeks or so.

On the other hand, Continental's unions were not as eager to go along with plans for the revivified carrier. Before the ink was dry on the bankruptcy papers, the pilot's union was filing a protest with the Federal Aviation Administration, insisting that the longer flying hours called for in the new work rules would compromise passenger safety. At the same time, that union and several others were considering court action to prevent what they called "union-busting" under the guise of bankruptcy action.

On Thursday, September 29, events took a more dramatic turn when Continental's pilots, meeting in Houston (the airline's headquarters city), voted to strike the carrier just two days later to protest the Lorenzo plan. Concurrently, the executive council of the Air Line Pilots Association convened a special meeting in the same city to seriously consider a short (one- or two-day) national walkout in sympathy with the Continental job action, and to call attention to what they believe to be the serious plight of the U.S. commercial pilot and his airline brothers and sisters.

The nationwide work stoppage, the first of its kind in the industry, "would be well-organized, with plenty of advance notice", according to an ALPA spokesman.

Just one day earlier, Texas Air Corporation, Continental's parent, suddenly and somewhat ominously suspended indefinitely the payment of dividends on its common stocks. Texas Air, despite the general economic malaise endemic to the airline industry, had been doing relatively well, largely due to the unconventional (but apparently successful) financial wizardry of Frank Lorenzo, who has had a talent for snatching victory from the jaws of defeat in the past (tiny TIA once tried to swallow much-larger National; lost out to Pan Am, but made a killing on National stock it had acquired in seeking the merger. Those hefty profits helped TIA expand, and eventually fueled the conquest of Continental itself.)

Meanwhile, in Miami . . .

■ Another headline: "Borman Cuts Pay To $1 A Month To Stress Eastern's Plight", that from the *Chicago Tribune* of September 22. The primary reason [for the slash in the former astronaut's salary] is "to indicate very strong signals to the employes that everything they have heard about our losses and about the importance of the [latest wage-concession] proposals is absolutely true", said an Eastern spokesman.

Thus did the pattern begun by Braniff and now continued most visibly by Continental appear once again, this time in an airline once though to be among the strongest of the U.S. carriers–Eastern Airlines.

Eastern, once confined in its operations largely to that sector of the country borne out in its name, has also suffered from deregulation, like so many of its contemporaries. On the one hand, low-overhead upstarts like People Express and New York Air have siphoned off much of its lucrative traffic; on the other hand, expansionist tendencies not unique to the Miami-based carrier have diluted its strength even more. Eastern picked up a large part of Braniff's South American services when that carrier went under last year, and found it difficult to extract any significant profits from that area. Other forays into "enemy" territory, while perhaps necessary for competitive reasons have contributed to the continuing erosion of Eastern's financial base. The airline lost a total of $158,200,-000 between 1980 and 1982, and another $106,400,000 in the first seven months of this year. (Eastern Chairman Borman earned some $330,000 last year, and was to draw down about the same amount in 1983.)

Borman's announcement marked the beginning of a campaign to persuade the airline's 37,500 employes to swallow a cut of up to 20% in wages and benefits, not unlike the plan offered to Continental's workers. The plan would be put up to a vote, and if more than half of Eastern's staff signified approval all workers would suffer the cuts.

Unlike Continental's unions, however, Eastern's locals balked at the plan virtually from the moment it was proposed, charging that the carrier's weak position was largely the result of poor management, not the general

EASTERN

downturn in fortunes characteristic of the industry at present.

Borman remained adamant, however, and went on closed-circuit television to the line's staff to plead his case. In that videotaped message, the chairman said the carrier's dim financial picture required drastic and immediate action. In essence, said Borman, the company has three choices: shut the airline down, file a Chapter 11 bankruptcy petition in the Continental manner, or institute a 15 per cent wage cut–the latter being the only really viable option.

But Eastern's unions were apparently of a different mind. Its flight attendants' local has set a strike deadline of October 12 (the end of a 30-day cooling-off period); negotiations are continuing, but most observers believe a strike cannot be avoided.

Should the attendants walk out, Eastern's pilots will probably honor their picket lines as well. That local has rejected the airline's latest wage-cut proposals and presented Eastern's board of directors with a vote of no confidence in Borman and his management team.

Concurrently, the militant machinists' union also rejected the call for a wage cut, and vowed to fight any bankruptcy move similar to Continental's, believing such a strategy to be an "intimidation approach" on the part of chairman Borman.

Both the machinists and flight attendants have suggested ways other than pay cuts to restore Eastern to financial health, noting that with a "positive labor program" Eastern could "work its way, not buy its way" out of danger. Spokesmen for both unions say they are "vigorously pursuing" Congressional action that would put a floor on low air fares–the principal villain in the erosion of most carriers' economic positions.

The embattled Borman continues to maintain a high profile in dealing with the ills of his company. The former astronaut attributes his credibility problem with Eastern's unions to his complete candor about the carrier's financial problems. Borman further avers that bankruptcy is "distasteful and not necessary" for Eastern, and says he is "quite confident" the airline's staff will help avoid it by going along with the wage cuts and related concessions. Further, he notes that bankruptcy "would be an extremely difficult maneuver. Nobody here takes it lightly, and we don't anticipate it".

Borman's faith in the essential soundness of Eastern (and of its employes' willingness to help come to its rescue) has increased that credibility gap with its unions, who believe that any bankruptcy talk is just another bargaining ploy. The airline's financial picture, taken as a whole, seems to confirm that view. For the year ended last June 30, the airline had an operating loss of about \$50,000,000–compared with rival Delta's loss of \$207,000,000–and that from an airline considered to be one of the soundest in the business (Until 1983, Delta had not shown any red ink on its books since 1947.)

That would appear to be the best operating performance ever against Eastern's Atlanta-based rival. Then, too, Eastern presently has a current net worth of almost \$400,000,000–and more than \$200,000,000 on hand in cash and marketable securities–hardly a sign of ill health.

While raising the specter of bankruptcy, Borman was also, oddly enough, planning expansion into Kansas City, which Eastern plans to make into a major hub late this year. Chairman Borman characterizes the move as "redeploying assets" (planes) from the now-weak Florida market. It will put Eastern in head-to-head competition with TWA (which has a major hub at Kansas City), but would link many of Eastern's cities and this, says Borman, "makes all kinds of sense".

While many observers characterize the expansion move–set for December 15–as anything from ill-advised to ludicrous, Borman believes Eastern's biggest financial problem is its cost structure. He notes that 78% of what he terms "controllable costs" are labor-related and that in 1984 average pay (including benefits) will exceed \$47,000 for each employe. These pay levels, say Borman, were put in place in the days before deregulation, and are now not in keeping with the "lean look" airlines must have to remain competitive.

Borman insists that Eastern is not to be remade into a budget carrier a la Continental. Says the chairman, "what we're interested in doing is lowering our unit costs so that we can be successful in very difficult economic times. In no sense are we trying to remove the unions from the property. In no sense are we trying to abrogate union contracts".

The chairman further avers that he will not resign if he does not get his way. "Why would I resign? I'm not going to resign. I have no intention of resigning. Look, this is not a management problem. I am not at all ashamed of our performance".

Borman's militant stance appears to be having at least some effect, spurred in part by the hiring of former Labor Secretary William Usery to ease the gulf between Eastern's management and its unions. Usery's first order of business was to set up an independent audit of the carrier so that he can form his own opinion of its financial status. To that end, the respected New York firm of Lazard Freres was tapped to pore over Eastern's books with a view toward submitting a report on the carrier's condition within the next several days.

Further evidence of a softening stance among Eastern's employes came September 29, when a group of 100 of its flight attendants demonstrated outside their union local's Miami office, asking the leadership to permit them to vote on the pay cuts, insisting there are many union members at the airline willing to accept the reduction. And, at the airline's Oakbrook (IL) reservations offices, Borman found considerable support the following day for his proposal.

Negotiations between Eastern and its flight attendants' union are continuing and, though the gap is wide and a strike is likely, the volatile state of the industry may provide yet another unexpected scenario.

And In New York . . .

■ Trans World Airlines, also wallowing in red ink, may soon be cut loose from its corporate parent, Trans World Corporation, as a result of being a consistent money-loser.

On September 28, the holding company's board said it is giving serious consideration toward spinning off its ward's common stock to its own shareholders (the parent owns 81 percent of the airline's stock).

Trans World Airlines has had pre-tax losses in every year since the airlines were deregulated in 1978, while its parent, which owns Hilton International Corporation, Spartan Food Systems, Inc., Canteen Corporation and Century 21 Real Estate Corporation has been consistently profitable–a trend continuing this year.

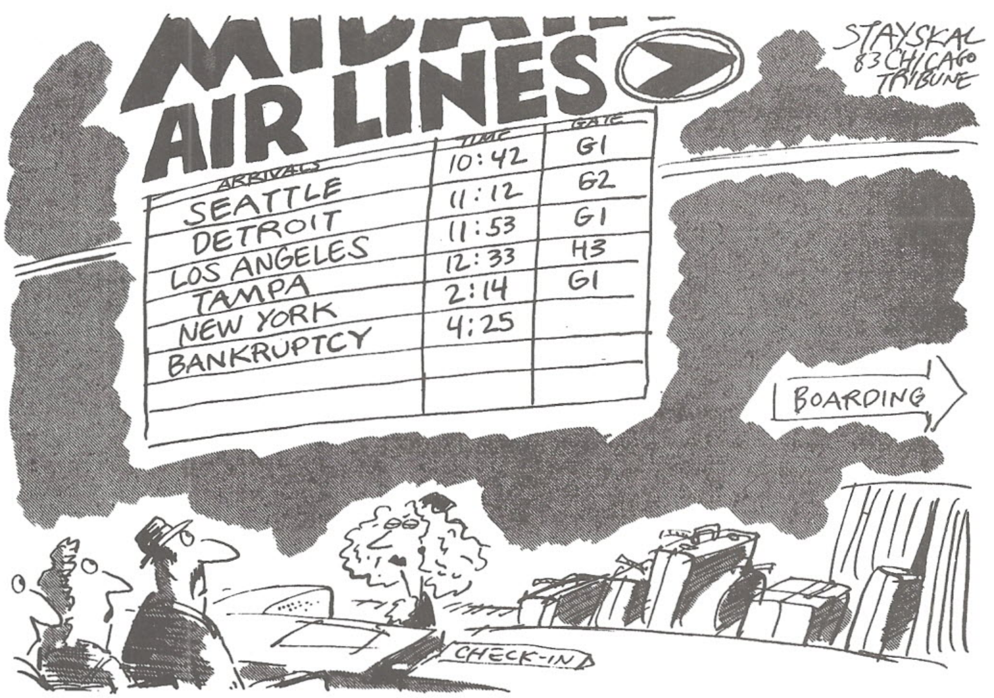
The holding company, formed out of the airline some years ago in an effort to diversify, earlier sold off 19% of the airline in a public offering to raise some \$54,000,000 in much-needed capital for TWA. That carrier, like its corporate confreres, is facing an uncertain future, and (again following the current scenario) its employes were put on notice September 28 that they, too, must "reduce current labor costs and make permanent changes to gain greater productivity". The airline has plans to reduce its work force by 12%, to 26,000, mostly by the end of October.

In September, TWA cut the wages of its nonunion workers by 10%, and has since May been seeking concessions from its machinist union members. In September, it also asked for similar concessions from its pilots' union, and this month will begin talks with its flight attendants. Thus far, according to the carrier, there has not been a "definitive" response from its unions.

TWA reported a \$108,900,000 pre-tax loss for the first half of this year, as compared with \$84,700,000 in the same period in 1982. By contrast, the parent's other four units reported a pre-tax profit of 28% more this year than last.

To quote a company spokesman: "TWA employes for too long have felt they could rely on a rich and fat parent. They may

TWA



currently see that their fate remains in their own hands".

More . . .

■ **Western Airlines has proposed giving its employes at least 25% of its stock in return for wage concessions as part of *its* plan to stem the flow of red ink.**

The troubled carrier, which has a staff of 10,000, reported that four of its five major labor groups have thus far okayed the unique "partnership plan", with the fifth expected to agree as well.

Western new management team, in place for only six months, intends to reduce labor unrest characteristic of at least some of the other majors, and says its plan offers compensation for "past and future concessions". Essentially, the management proposal seeks a 10% pay cut over the next 12 months from all Western employes. (Most of the airline's staff has taken wage cuts over the past two years; only those affecting pilots and management are currently in effect.)

Accordingly, Western's pilots are being asked to extend their 10% pay cut until September 30, 1984, instead of January 1; the original cut took effect in December 1981.

One million shares to be issued to employes would recognize wage and other "sacrifices" made by some labor groups over the past 18 months, and another million shares will be divided equally among all employes. Four million more shares would be allocated over the next year to workers participating in the plan at a rate equal to half the value of the concessions made. All shares would be held in an independent trust, and would be voted by the trustee (who himself would be selected by employes and management).

■ Over in Minneapolis, Republic's unions are presently considering similar cuts (up to 15% for some workers) to help that carrier stay aloft. Thus far, five of Republic's six unions have okayed the cuts; the sixth (the American Airway Supervisors Association) has yet to vote on the measure.

Like many of its contemporaries, the carrier arising out of a union of North Central, Southern and Hughes AirWest is facing a rocky financial future, and says it must trim expenses by some $100,000,000 in 1984 to stave off collapse.

■ Down in Smyrna, Tennessee, another carrier has apparently be rescued from an uncertain fate by the infusion of new capital (no pun intended). Capitol Air, the one time charter airline that began scheduled service with the advent of deregulation, had a negative net worth of $26,000,000 as of June 30, and was facing a severe cash crisis due largely to its lack of substantial assets or solid lines of credit.

Late in September, the *Wall Street Journal* reported that a Kansas City (MO) group of investors has formed a new firm, Capitol Holding Corporation, and acquired a 54.9% interest in the airline from a group of New York investors (who themselves only acquired the stock last July).

Capitol Holding has been granted temporary authority to acquire the controlling interest in the carrier by the Civil Aeronautics Board; the airline offers domestic and international discount service on a limited basis.

■ Despite the general upturn in the economy, the market is concerned about the failing fortunes of the airlines as evidenced in the headlines of the last few weeks. Investment analysts are reported as concerned that the near-collapse of Continental and the troubles of TWA and Eastern may drag down some of the other majors as well (their stock has been falling along with the weaker carriers), and the host of suppliers to the industry (like Boeing, McDonnell Douglas, United Technologies and General Electric (both of whom make jet engines), Marriott (the largest purveyor of food services), and even those banks and insurance companies who are the airlines' principal creditors. These institutions are already deeply into the glutted second-hand airplane market, and could find themselves stuck with a load of very unsaleable merchandise.

■ A look at the ledgers: From *USA Today* some figures on airline profit and loss, for the three months ended June 30, 1983:

Carrier	*Profit (loss) in millions*
United	$109.7
American	39.6
Pan Am	10.4
Eastern	(33.7)
Trans World	(16.2)
Delta	(25.5)
Northwest	14.4
Continental	(26.5)
Republic	(43.9)
Western	(23.8)

■ In light of the recent Continental action to declare bankruptcy (a move labor has widely condemned as a "union-busting" tactic), pollster Louis Harris has found that most of the public supports the unions in their fights with airline managements.

According to Harris, "the current tack of some corporations to use the bankruptcy laws to destroy trade unions will not wash. Majorities of 8-1 support the basic right of workers to have unions and to engage in the collective bargaining process. A 6-1 majority supports the right of workers to strike."

Contrariwise, Harris surveyed managers at 1200 firms, and found that an "ominous" 33 percent of corporate management thinks it "can exploit union givebacks to smash unions". The results were unveiled by Harris at the AFL-CIO convention in Hollywood (FL), on the heels of Continental's filing for bankruptcy in federal court in Houston.

■ Strike Update: As expected, Continental's pilots approved a strike for Saturday, October 1–but the walkout appears to have limited success as these words are written (October 3). At this early point in the walkout, most of Continental's planes remained aloft and on schedule, as the carrier's management began to implement its long-term survival strategy.

During the weekend, Continental's unions forced the carrier to cancel just a few of its flights, and to delay others for as long as two hours because of a lack of crew. At the same time, it was apparent that some potential travelers were frightened away by the specter of the strike, as well as the company's plunge into bankruptcy.

Despite the slowdowns, management contended that the unions had been unable to close the airline down as they had claimed they would be able to do, and that the poor showing of labor muscle had sharply diffused one of biggest short-term threats to the carrier's survival. Now, said management, the key is to "keep the airline in the air for the long haul.

To that end, Continental plans to unveil a new marketing plan to allay the fears of potential travelers and reverse its losses. The program includes new pricing strategies, better inflight services, additional flights and a continuing effort to mend fences with the country's travel agents, some of who are refusing to book their passengers on the airline. At the same time, Continental will continue to hack at its overhead costs, partly through further layoffs (including some at very high administrative levels).

The box score for Continental's first weekend as a slimmed-down carrier resulted in (according to the airline) only 13 of 118 scheduled flights on Saturday being canceled, and 15 on Sunday. The unions contend the figure is much higher, and says that support for the strike is growing, in part because the pilots' union is paying strike benefits in excess of Continental's regular wages.

Be that as it may, there was indeed *some* disruption to Continental's schedules as the strike continued–not only on the "new" domestic carrier, but on its international affiliates as well; some service to Mexico, for example, was delayed significantly because of lack of equipment. (The parent's three other Continental subsidiaries [see earlier story] operate with equipment and crews leased from the domestic carrier.)

Equipment Eclectica

■ In a major victory over Airbus Industrie, Boeing has won an order from Japan Air Lines for $560,000,000 worth of 767s, a total of nine twinjets. JAL also took an option for six more.

The jets will be delivered over a period of three years beginning in 1986. Airbus Industrie had vigorously competed with Boeing for the order (to replace JAL's aging DC8 fleet); the European consortium had offered its A-310 to the Tokyo-based carrier.

■ CP Air, the Vancouver-based air arm of the Canadian Pacific conglomerate, has decided to cancel its order for four 767s, opting instead for ten 767-300s from Boeing. The pact had originally been signed in 1979, and was altered by mutual consent to enable CP Air "to better tailor its capacity increases to the requirements of the Canadian marketplace over the next five years.

The new JAL 767 order, offset by the cancellation of CP Air's bid, bring total orders for the fuel-efficient jet to 185 units (for 18 airlines) worldwide; Airbus Industrie has 108 orders (from 17 carriers) for the A-310 on its books.

■ Boeing has apparently also won another order away from Airbus, with the purchase of as many as five 767s from the Seattle manufacturer by Egyptair.

The Egyptian flag carrier had been dickering with the European consortium for three A-310s, with options on two more. Egyptair presently operates a fleet of eight A-300 Airbuses, and a group of 707s and 737s. The new 767s are targeted to replace the 707s.

Route Report

■ Air Florida will begin nonstop service from Midway Airport in Chicago to Miami and Orlando November 15; two round trips will be operated daily to Miami, and one to Orlando.

This will be the budget carrier's first service to Chicago; the Miami-based airline presently holds three slots at the South Side airport, where it will "bunk in" with Midway Airlines.

Air Florida, which is also beginning new service to Cleveland, Columbus, Detroit and Indianapolis, will offer a $99 promotional fare on all flights between these cities (as well as Chicago) and Florida. Tickets must be purchased between October 15 and November 15, and used for travel through December 15. After that date, the fare will then jump to $159 each way, with a limited number of seats at $149. No other carriers on the route have indicated plans to match the low fares.

Air Florida's principal hub is at Miami, from which it serves numerous Caribbean, South American and European destinations. The services from the Midwest will are intended to strengthen operations at that hub.

■ Capitol Air will begin nonstop service between Miami and Aguadilla, Puerto Rico October 20. The new service will operate Mondays and Thursdays; an introductory fare of $99 will continue in effect until November 17, at which time it will be raised to $169. The present service between Miami and San Juan will also continue.

■ World Airways will resume daily service between Los Angeles and Honolulu on October 17 . . . Western Airlines plans to exit Sioux Falls (SD) this month; Mesaba Airlines has indicated a willingness to pick up service there in place of the larger carrier.

■ British Airways will not be able to maintain a monopoly on flights between Heathrow Airport in London and Belfast, Northern Ireland. A British court has upheld the Civil Aviation Authority's decision to permit British Midland Airways to offer scheduled Heathrow-Belfast service in competition with BA's no-reservation shuttle operation.

This is the second incursion by British Midland against British Air's former monopolies. Within the past year, the carrier began service from Heathrow to Glasgow, and its planes now carry about a third of the total passengers between the two cities. Midland offers a slightly lower fare, as well as inflight meals. Responding to the competition, British Airways has introduced hot breakfasts and free cocktails on its shuttle flights to Belfast and Edinburgh.

Flight Facts

■ Landing curbs at O'Hare and Midway airports (which have greatly restricted Midway Airlines' expansion plans) are likely to be lifted in February, with the reassignment of air controllers. Slot controls have been removed at most airports (they were put in place as the result of the air controllers' walkout), but remain in place at the two Chicago fields, Los Angeles International, Stapleton (Denver) and LaGuardia in New York.

■ One other carrier is also harried because of the economic troubles facing the airlines, but its problems are of a bit different nature. Air One, the St. Louis-based airline specializing in business travelers, is making its third attempt in seven months at a public stock offering; the previous two outings failed, largely for lack of interest.

Air One caters to business travelers by offering only first-class service at coach rates, and wants to expand its operations to 12 cities from five and increase the size of its fleet from five to 15 jets by the end of 1984.

Not unlike other carriers, Air One apparently badly needs an infusion of capital to cover its debt and operating costs. The company hasn't been able to pay about $343,000 in salaries and fees to its officers and directors, and needs about $2,000,000 to pay bills.

Mitigating these losses, however, Air One's load factor rose to 50% in August (and to 57% in the first half of September) from 33% in July. Revenue passenger miles rose to 11,800,000 in August from 6,200,000 in July, and continued to increase in September, making the investment at least marginally prudent should traffic continue to increase.

Air One flies between St. Louis and Dallas, Kansas City, Washington and Newark with a fleet of five 727s.

■ Northeastern Airways now links Boston with Las Vegas by 727 for a savings of about $74 over the prevailing round-trip coach fares. . . . United will offer discounts of as much as $100 on tickets for its domestic flights to buyers of Polaroid cameras and film. Under the offer, a buyer of a Polaroid 680 Series camera, 600 high-speed or Time-Zero Supercolor film valued at $100 or more will receive a $100 discount on most United round-trip flights in the U.S. Buyers of Polaroid cameras and supplies valued at $50 to $99 receive a $50 discount. Equipment must be purchased by December 31 to qualify.

■ Prospective passengers on American International Airways discount flights to Atlantic City should note that a number of restrictions apply and–even with accommodations packages- transfers between the Atlantic City airport and the city itself are not included. The services of a travel agent would be helpful in interpreting AIA's regulations and arranging transportation.

■ The U.S. is engaged in negotiations with a number of foreign countries to assure U.S. carriers receiving a "fair share" of international traffic. Between the U.S. and Switzerland, for example, U.S. carriers accounted for only 14% of the traffic last year; Swissair accounted for the balance.

■ A scaled-down (from $450,000,000) expansion plan for the Greater Pittsburgh Airport has won preliminary approval of the Allegheny County commissioners. Airlines, which must repay the county for the work, must also approve . . . The Seattle-Tacoma International Airport (Sea-Tac) has been renamed the Henry Jackson International Airport in honor of the late U.S. Senator.

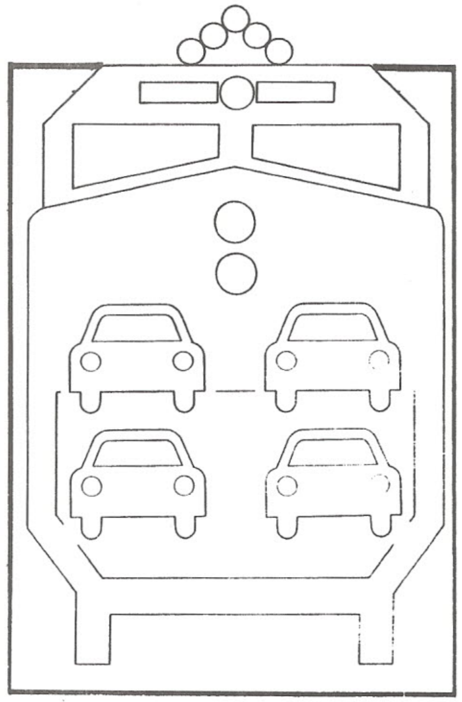
Braniff Update

■ Braniff International Airways, once thought to be dead, will begin flying again March 1, flying a domestic route system that will rely on service quality rather than discounts, according to its new president. The revivified carrier, bankrolled by the Pritzker family (Hyatt Hotels), will be headed by William Slattery, a former TWA vice-president.

The "new" airline will retain the Braniff name, and will begin scheduled service to 20 domestic cities (as yet unnamed) with 30 Boeing 727s on that date. The carrier will begin a full-fledged marketing campaign "with much fanfare" and start booking reservations after the first of the year.

One item of business remaining from the carrier's earlier incarnation was disposed of in mid-September, when a federal judge dismissed a Justice Department civil antitrust suit against American Airlines and its CEO alleging that he (Robert Crandall) offered to raise American's prices in consort with the then CEO of Braniff, Howard Putnam, in a controversial February 1982 telephone call. That call, in the height of the American-Braniff bitter rivalry, quite possibly set in motion a chain of events that culminated in Braniff's abrupt departure from the scene. (The call saw Crandall complaining about their mutual lack of profitability in markets where the two carriers competed, and asking Putnam to raise Braniff's fares so American could follow suit. The record shows Braniff as not acquiescing to American's bid–and ultimately declaring bankruptcy.)

rail



Amtrak Addenda

■ Amtrak has begun accepting reservations for its Auto Train service, which will begin operations October 30 between Lorton (VA) and Sanford (FL).

The trains, carrying passengers and their automobiles, will depart from Lorton at 4:30 p.m. on Sundays, Wednesdays and Fridays, arriving in Sanford at 10:00 a.m. the next day. Northbound, the thrice-weekly service will leave Sanford at 4:30 p.m. on Tuesdays, Thursdays and Saturdays, arriving in Lorton at 10:00 a.m. the next day. Daily service is expected to begin March 1, 1984.

The Amtrak Auto-Train (no corporate relation to the original Auto-Train Corporation), will maintain the high level of service provided by its predecessor. Coach and sleeping car accommodations for up to 497 passengers will be supplemented by lounge and buffet cars, where complimentary dinner with wine and continental breakfast will be served.

Dome cars will also be featured on the new trains, as will movies offered on TV monitors in the dining car. Sleeping-car passengers will also receive other Florida First-Class amenities: a basket of wine, cheese and crackers, a stationery kit, shoe shines and a good-night confection.

Attached to the rear of the train will be automobile carrier cars with a capacity of 264 autos. All told, the Amtrak Auto-Train will be approximately 40-45 cars in length, with two diesels on the point.

Reservations can be made through the regular Amtrak toll-free telephone network, at rail stations and city ticket offices or through Amtrak-accredited travel agents.

Tariff for the one-way trip will be $200 for the automobile, $130 for adults, and $98 for children 2-11. No discounts will be allowed. The fare includes reclining leg-rest coach seats and complimentary tea or coffee and snacks available throughout the trip, in addition to the complimentary meals enroute. A bedroom, with private washroom and toilet, sleeping two, will cost an additional $225; a roomette, sleeping one, $100.

Amtrak's new venture is the first auto-carrying train service offered in the U.S. since the original Auto-Train ceased operation in 1981 after going bankrupt as the result of a series of accidents. Amtrak's management projectsan annual passenger load of approximately 140,000 passengers with a mix of daily and tri-weekly service as needed.

To operate the service, Amtrak bought the auto-carrying cars formerly used by Auto-Train, which were then refurbished at its Beech Grove facility. The first train consist will include 20 tri-level auto cars and three bi-level units.

The remainder of the initial train will consist of five Amfleet II coaches, two dome coaches, a lounge car, two buffet cars, one table car and six sleepers.

Passengers are urged to arrive at Lorton or Sanford at least two hours ahead of departure time; motor vehicles will not be accepted for loading after one hour before the train departs, and standbys will be accepted to fill the spaces of no-shows at that point.

The Amtrak Auto Train will accommodate most family cars; however, pickup trucks and vans are not suitable for loading. After checking in at the loading site, passengers may board the train if they wish. Lounge cars will be open for the two hours before the train's departure.

■ Amtrak and McDonald's have joined forces in a regional test program that encourages family travel on Amtrak . . . The temporary station in Tampa is now in service, replacing the 1912-vintage ACL structure that is to be remodeled as an intermodal transportation center . . . Riding on the Corporation's trains was up in FY 1983 over the previous fiscal year; 19,500,000 passengers took to the rails in the twelve months ending June 30, an increase of half a million riders.

rail

Railway Report

■ Merger Mania: The Santa Fe, after wooing ConRail (in a move many observers thought to be a feint to conceal its real intentions), has agreed in principle to link arms with its once bitter rival Southern Pacific. In an indication of just how far rail mergers have gone, the marriage of these two giants would create only the third-largest U.S. railroad, a company with assets of $6,300,000,000 and some 25,000 miles of track. Barring extreme complications, the combine (planned once before, in 1980, as a reaction to the Union Pacific-Western Pacific-Missouri Pacific nuptials) will be a reality by the end of the year. Interstate Commerce Commission permission is required for the two lines to amalgamate (and the resulting red tape, while minimized as the result of the ill-fated UP/RI match some years back, may stretch well beyond December); the two roads plan an effective *fait accompli* by remaining legally separate temporarily but under common control. Both roads are rich in natural resources, and both are prime Amtrak contractors.

■ Responding to public pressure, the Canadian government is at least studying the resumption of Montreal-Maritimes service via the old *Atlantic Limited* route across Maine, in part to relieve some of the pressure on the all-Canada *Ocean* route . . . The old Spanish-style railroad depot at Bartlesville (OK) is to be restored and given to the city by the Phillips Petroleum Company for use as the new home of the local Chamber of Commerce.

■ About 140 well-heeled travelers paid about $2,000 each to ride the 100th birthday edition of the famed *Orient Express* on October 4 and 5. High point of the excursion was a re-creation of the extraordinary nine-course dinner served on the inaugural run in 1883. And, in Paris, there was a tribute to George Nagelmackers, the Belgian who began the concept–after a trip to the U.S. filled him with a love for the rails. The American influence on the grande dame of varnish continues today–a Kentucky businessman, James Sherwood, bought the last surviving trains and restored them to their original splendor.

transit

Metro Memo

■ The South Shore's old cars ran their last revenue service miles September 25, with a pair of round trips between South Bend and Randolph Street. All 44 of the new Japanese-built replacements for the 57-year-old fleet are now in service.

And, with reliability the norm, the railroad has petitioned for a fare increase of about 10 percent, to bring its tariffs into line with those charged on other Chicago-area roads. There will, however, be a reduction of as much as 20 percent in some off-peak fares.

■ Elsewhere in the Chicago area, ridership is continuing to decline, largely as a result of fare increases instituted in 1981 by the umbrella Regional Transportation Authority. RTA figures show that one rider in three has deserted the commuter railroad system; one in six no longer rides the CTA, and one in five has abandoned the suburban bus system. There is one bright spot in the overall area picture however: Nortran, the North Suburban Mass Transit District bus system formed out of the ailing United Motor Coach Company, has posted ridership *increases* in each of the first eight months of this year.

■ Chicago-area rail commuters can now use their home-road tickets to travel on any other line to the zone limit of the ticket, and southwest suburban riders can use either Norfolk & Western trains or Continental Air Transport paralleling buses interchangeably as well . . . Monday, October 17, marks the 40th anniversary of the opening of the State Street subway in Chicago, the city's first. (The Dearborn Street line, begun at the same time, was halted because of wartime materials scarcity and not opened until February 1951.) . . . More on the successful Dallas referendum from the pages of the Texas ERA *Short Circuit Bulletin*: The service plan as approved by the voters promises 160 miles of rail service by 2010; 69 miles are targeted to be completed in 11 years with the first lines to be operating in 1987. Most of the 14 lines will follow railroad rights-of-way. Downtown will have a Main Street rail/pedestrian mall and eventually a subway.

■ The first leg of Baltimore's rapid transit system opens November 21; Miami's (with similar cars) opens on Christmas Day . . . Bicycles will be allowed on the Long Island Rail Road beginning October 17. Bikers must buy $5 annual permits; only two bicycles will be permitted in each car . . . The Reading Terminal site in Philadelphia has been recommended as the location for a $300,000,000 convention center . . . Plymouth (MN) now has local bus service, connecting with through MTC runs to nearby Minneapolis and St. Paul . . . Miami has purchased 100 used buses to provide increased service when the Metro Rail line begins operation in December; 50 came from Hausman, the remainder from Atlanta . . . Blacksburg (VA), home of the Virginia Polytechnic Institute, now has local bus service, operated with seven 30-foot City Bird units . . . Kansas City has joined the growing list of cities with "trolley" buses . . Tucson is planning a real historic trolley operation . . . The Chicago Transit Authority has taken advantage of "safe-harbor" leasing of tax depreciation benefits on some of its new rapid transit cars and buses, to the tune of over $4,000,000 . . . The city of Cincinnati has a federal grant to study the possible construction of a light-rail line linking the Western Hills suburbs with downtown via the city's never-used subway . . . Both Allentown (PA) and Toledo are now heavily into rehabilitation of their bus fleets . . .Detroit's SEMTA will cut back bus service by 27 percent and eliminate all rail commuter service on the Grand Trunk line October 17 in an effort to cut costs . . . By all accounts, San Francisco's historic trolley festival was a huge success–and may be repeated next year.

bus

Over the Road

■ Lamers Bus Lines (American Trailways of Wisconsin) has purchased Leisure-Way Travelers of Wausau from Glen Schneider, and will continue to operate L-WT's Wausau-Milwaukee via Fond du Lac scheduled service . . . Michaud Bus Lines of Salem (MA) is on the comeback road after nearly slipping into bankruptcy. Most of its buses have been sold (including the restored 1946 PD-3703 dubbed "Little Spike"), and the money-losing Boston-Portland route has been turned over to Trailways, Inc. Today, Michaud is left with but five coaches and a garage, but is reportedly nearly debt-free and attempting to remain in operation.

■ Greyhound has sold 200 coaches to Hausman Bus Sales, eliminating all MC-7s from its fleet, which is now composed entirely of automatic-transmission MC-8s and MC-9s; the roster currently numbers 3,892 units . Wisconsin-Illinois Stages (Delavan, WI) has recently introduced a round-trip family fare of $50.00 between all points on its routes (which connect the CTA rapid at Cumberland Station with south central Wisconsin points); the fare covers husband, wife and all children under 20 years of age .