
‘Recovery’ Looks Like Crash to Airlines, Too

by Anita Gallagher

Can the U.S. economy be recovering, when seven of the eight major U.S. airlines, as well as the leading aircraft maker Boeing Co., posted large losses in the first quarter, when their “recovery” was supposed to take hold? Despite large government military aircraft orders, civilian aircraft leases, and bailouts, this industry has joined the ranks of the telecom and “New Economy” financial collapse.

The airline industry’s message about the overall economy is as plain as a contrail, especially when one considers that the airlines received \$5 billion in Federal grants, and \$15 billion in loan guarantees after Sept. 11, to stay alive. What’s more, the airlines have been so strapped for cash that all of their “Plan B” strategies to develop businesses other than flying public commercial jets, have had to be scrapped. Meanwhile, the estimated cost of the new security systems Congress has mandated be installed by the end of 2002 has already tripled, to \$6 billion.

The top eight U.S. airlines lost \$2.4 billion in the first quarter, 2002 (the “recovery delusion” quarter), increasing the collapse-pace of 2001’s record \$9 billion loss. Even Southwest Airlines, the seventh-largest, was down 82% from a year ago to a mere \$21 million profit, on an 11.9% drop in revenue from the first quarter of 2001:

Rank	Airline	Q1 2002 Loss (\$ millions)	Revenue Drop From Q1 2001 (percent)
1	AMR (American and TWA)	\$575	13%
2	UAL (United)	510	26%
3	Delta	397	19%
4	Northwest	171	16.5%
5	Continental	166	18.8%
6	U.S. Airways Group	269	23.7%
8	America West	348	21.6%
—	Boeing Co.	1,200	

As early as June 2001—well before Sept. 11—six of the eight major U.S. carriers were losing money, and industry analysts were predicting a large number of bankruptcy filings. After Sept. 11, most of the airlines cut their flights and workforce by an average of 20%. This has had no effect on the rate at which the industry continues to sink financially.

On Sept. 17, U.S. statesman and Democratic Presidential pre-candidate Lyndon LaRouche said: “An emergency financial reorganization of the national airline industry must occur, preferably in parallel with kindred emergency measures by other nations. This means that we must forget the Wall Street financial capital-gains market, and concentrate on long-term flexible budgeting of Federal and other credit-resources to keep the industry functioning physically. . . .”

This was not done, with the result that the airlines are now seeking an industry-wide precedent for union “givebacks” in the prolonged contract negotiations of industry-leading United Airlines. Negotiations April 25 went down to the wire between United and its 30,000 Ramp and Stores, Public Contact, Food Services, and Security Officers represented by the

International Association of Machinists (IAM). United concluded an agreement with its mechanics in February, after a near-strike. But, that agreement calls for mechanics to vote on “givebacks” that United has said it will demand from all its unions now that the Ramp workers have settled. “United appears headed straight into a brick wall right now,” an industry analyst told deal.com’s Lou Whiteman on April 9. “I think the whole industry is waiting to see what becomes of them before the others decide how to move forward.”

On March 22, United’s cash crunch forced it to shut its Avolar fractional-ownership “bizjet” subsidiary. Expansion of this service for pre-paid, pre-screened business travellers, with lower-paid pilots, had been United’s hoped-for rescue from the ocean of red ink drowning the airline. But it lacked the cash even to pursue this “recovery” fantasy. Other airlines have also had to axe their “Plan B’s.”

On April 22, shares of major airlines fell by up to 15%. The reason: a desperation move by the biggest carriers, to raise most fares by \$20, had fallen apart. America West (which had avoided bankruptcy by tapping the Federal government’s post-Sept. 11 loan guarantees) had just cut business fares in March; other carriers retaliated by slashing fares out of America West’s hub, Phoenix; so all had to rescind the \$20-per-trip increase. This was the third failure of a small price increase to take hold during April. Northwest Airlines torpedoed American Airlines’ move to raise leisure fares by \$20 per round-trip ticket by refusing to match the increase, and all carriers but Delta rolled back the increase on April 21. And Northwest also thwarted Continental Airlines’ similar attempt to increase fares.

The ‘Tri-Loser-All’ World

The sinking of the insane “recovery” claims of Fed Chairman Alan “Greenspan” and Treasury Secretary Paul O’Neill, caused sharp and open fighting at the April Trilateral Commission, World Bank, and International Monetary Fund meetings. The United States and Europe traded insults with Japan, which all agree continues to collapse. But the delusional “recovery” in America and Europe has been nothing but a steady march of huge corporate bankruptcies, defaults, and losses, accompanied by increasing unemployment.

- Vast media/cable-television losses are reported. AOL-Time Warner’s mind-boggling \$54 billion first-quarter loss leads the pack. But Germany’s Kirchmedia bankruptcy and that of Britain’s NTL Group set national records for size of corporate defaults, and are being followed by Britain’s Telewest Communications, Netherlands-based United Pan-European Communications, and others.

- The biggest mobile-phone makers, Nokia and Ericsson, registered major first-quarter losses and announced layoffs, in Ericsson’s case reaching 17,000 workers.

- Telecom sector disasters show absolutely no let-up. WorldCom, one of the biggest telecom companies; Lucent Technologies; Nortel; and many others are candidates for bankruptcy. Williams Communication went bankrupt with

\$5.9 billion in debt; Japan’s Nippon Telephone and Telegraph announced 17,000 layoffs.

- U.S. automakers continue to carry out, in stages, the tens of thousands of layoffs announced last Winter; meanwhile their first-quarter sales fell from the year before, and Ford lost another \$800 million. America’s biggest auto parts maker, Delphi, announced 6,000 more layoffs.

- Bank losses on Argentina’s collapse, reported by Citigroup and six other international banks, rose by 60% to \$8.5 billion as of the first quarter of 2002.

When falling American home sales and durable-goods orders for March were announced on April 24, it was worth remembering that neither these, nor any other such indicators, measure the actual ongoing collapse. What is collapsing is the vast bubble of debt—unpayable, inflated debt instruments piled on governments, corporations, and consumers; and there is no end in sight without the emergency bankruptcy reorganization called for by Lyndon LaRouche. There was, indeed, no recession, as LaRouche has noted. The world economic *depression*, as of late April, was deepening.