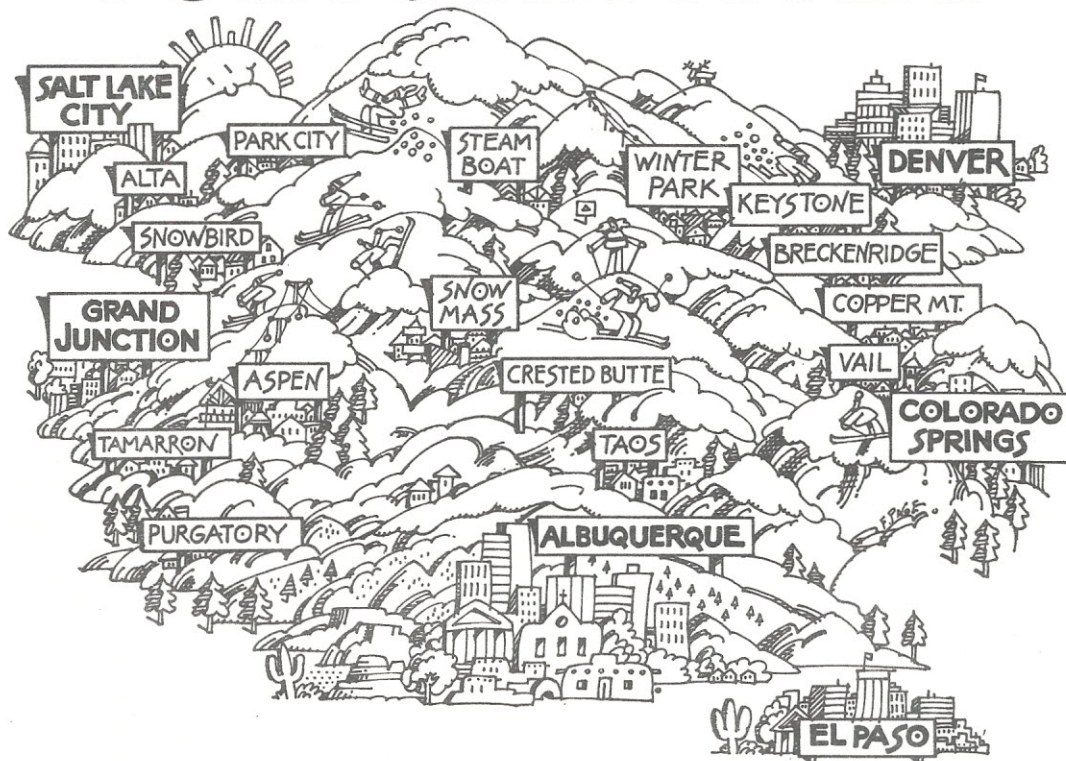


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Continental/TIA: "Working Relationship"

► After hostilities that spanned the better part of a year, Continental Air Lines and successful unfriendly suitor Texas International Airlines have agreed to a "working relationship" that will enable TIA to exercise control of Continental.

TIA, which now owns 50.9% of Continental's 15,400,000 shares, has won representation on the Continental board, which was expanded to 15 members. For the present, TIA does not have majority representation on the board (but can exercise de facto control in view of its stock position); Continental will continue to be operated into the near future as a separate entity, with present management at the controls.

All litigation remaining from TIA's long quest to gain control of Continental has now been settled or dismissed, but other problems linger. TIA has assured Continental employees that it has no plans to move the latter carrier's home base from Los Angeles, nor sell any of its jets. In fact, TIA plans an orderly expansion of Continental's route network after a restructuring to better meld the operations of the two carriers.

A complete merger of the two carriers is not looked on favorably in the immediate future, because of widely varying salary structures at the two carriers; generally, the larger Continental work force is better paid than its counterpart at TIA.

Jet America Debuts: A Promotional Problem

► Yet another budget carrier has entered the crowded skies—with a promotional gimmick that inadvertently caused problems for the fledgling carrier.

Jet America began service November 16 with two new 147-seat DC9 Super 80 jets serving the Chicago-Los Angeles market (using Long Beach airport as its West Coast terminal) for a \$99 one-way fare (until December 15).

To herald the new service, Jet America offered 405 tickets to Long Beach from O'Hare at \$4.05; the return coupon cost \$40.50. There were a limited number of tickets available at the special promotional fare, with certain restrictions as to their

purchase and use. Unfortunately, the "fine print" outlining the restrictions somehow escaped the notice of most of those eager to avail themselves of a low-cost ride to Southern California, resulting in frayed tempers and ill feeling directed against Jet America.

Jet America officials decided to honor the ticket requests, despite the misunderstanding of the restrictions, resulting in a costly opening promotion—but 405 happy passengers.

The airline, like most others in the budget market, is in for some rough times in the months ahead. The majors are "boycotting" the low-fare airlines (see story on Midway elsewhere in this issue), quotas at major airports because of the PATCO tiff have encumbered new entrants, and costs are skyrocketing.

Jet America hopes to be able to beat at least one of those problems. By using Long Beach airport as its Southern California base (the field is just off I-405 at Lakewood Boulevard, northeast of downtown Long Beach), delays that are endemic to LAX will be avoided; O'Hare will continue to be a problem.

The company figures its 40 nonstop flights each week must be just shy of 50% full to break even; the new planes are fuel-efficient and require a cockpit crew of only two, rather than three. Jet America will be competing with American, United and TWA on the route (as well as low-cost Capital), and does not expect to show a profit until at least 1983.

Despite its "budget" image, Jet America intends to offer first-class meals in coach, an airborne lounge, and extra flight attendants, as well as five-across seating. If the carrier is successful (it has already ordered two more jets for delivery next year), plans are in the works for similar services linking Long Beach with Dallas and Minneapolis.

PATCO's Plight: A Bankruptcy is Filed

► The Professional Air Traffic Controllers Organization (PATCO) filed a bankruptcy petition in federal court late in November, seeking protection from its creditors under Chapter 11 of the Bankruptcy Act; under that provision, the union can

continue in business while it tries to work out a plan for paying its debts.

The union, which struck the federal government in what the Administration termed an illegal walkout August 3, was decertified in October for that action. PATCO's treasury has been attached as the result of continuing litigation, and it owes some \$140,000,000 in various claims and debts. The union currently has no source of income from dues, as the Federal Aviation Administration stopped collecting them from the 2,000 PATCO members who remained on the job after the walkout.

The decertification is currently being appealed by PATCO, but the bankruptcy was filed to forestall an involuntary bankruptcy petition by PATCO's creditors, and to permit the union to accept donations toward its operating expenses.

Equipment Eclectica: Sales, Leases, Orders

► American has sold 18 retired 707s back to Boeing; the manufacturer will use the parts to retrofit military versions of the plane used by the Air Force... Federal Express is buying 15 all-cargo 727-200F jets from Boeing... The same carrier wants to lease two Concorde from British Airways or Air France for transatlantic cargo service. Federal Express would use Dulles, Newark or JFK as its U.S. base, and Shannon or Prestwick for a central sorting facility for Europe. Concorde utilization would permit next-day service for European delivery.

► McDonnell Douglas has said that cuts in the defense budget eliminating eight KC10s (the military version of the DC10) would imperil the DC10 program after 1983... Fokker has unveiled a revised and more fuel-efficient version of the Dutch-American MDF100 airliner... Pan Am has postponed taking delivery of 727 and L1011 aircraft due this year for economic reasons... Air Florida has acquired five 170-seat 727-200s... Boeing has sold two 767s to Braathens Airtransport of Norway for 1985 delivery... CP Air has ordered a DC10-30... Transbrasil has ordered three 767-200s for 1983 delivery... Sabena is purchasing a DC10.

► Oman Aviation Services, the flag carrier of the Arab sultanate, has ordered four Fokker F-27 MK500 Friendships . . . Tame, Ecuador's domestic airline, has ordered a 737, as has charter carrier Orion Airways of the U.K. . . . British-French talks on the future of the troubled Concorde have run aground. Air France is losing heavily on its Concorde services, while British Airways is turning a profit. The partners did agree on a temporary reprieve for the supersonic craft, however; studies will continue and the respective ministers will meet again in the first quarter of 1982 to reassess the situation.

► Piedmont has ordered another 11 737s to add to its burgeoning fleet. The Winston-Salem (NC)-based carrier will take delivery in 1982 and 1983. Piedmont has ordered a total of 50 737s . . . The Federal Aviation Administration has ordered carriers to put new warning instruments in their L-1011 cockpits to signal any abrupt change in oil pressure or engine vibration, after a series of engine failures.

► Chicago's Midway Airlines has taken delivery on several of the DC(-31 jets it purchased used from Ansett Transport Industries of Australia. The budget carrier bought eight of the planes, bringing its total fleet to 17 DC9s . . . Pacific Southwest Airlines sold two 727-200 jets to Piedmont. PSA is replacing the older planes with DC9 Super 80 units . . . Air Florida is leasing four 737-200s to new low-fare carrier Columbia Air as the nucleus of the latter's fleet. Air Florida recently acquired five new 727s . . . Air Algérie has ordered one 727 and one 737 from Boeing; the same builder sold two 737s to Britannia Airways, a U.K. charter carrier . . . Alaska Airlines has acquired three 737-200s and two 727-200s this year . . . Southwest will exercise existing options to purchase three more 737-200s, bringing to 38 the total of such jets in the Southwest fleet. . . PSA's operating fleet at the end of this month will consist of 13 DC9 Super 80s, 14 727-200s and three 727-100s. Eight more Super 80s are due for 1982 delivery.

Fare Facts: The Tangle Thickens

► Declining passenger traffic and the PATCO walkout have continued to exacerbate the fare situation in both domestic and international services. Troubled Braniff has streamlined its thick tariff file from 582 separate fares to 15 in a bid to stay alive. The structure provides discount, single-class air service on many different routes for a single price. Braniff's marketing strategy marks the final step in the carrier's transformation from a conventional trunk airline into one that resembles a commuter carrier. Under the system,

Braniff fares will undercut regular coach tariffs on similar routes by an average of 45%. As might be expected, other carriers rushed to match the reduced fares in certain markets where they compete.

► Midway has expanded its service to include two daily Chicago-Tampa runs, with an unrestricted one-way fare of \$139 . . . Capitol Air has lowered its round-trip fare between Chicago and Los Angeles to \$188, with a one-way fare of \$129 (\$99 standby) if travel is begun by December 15. The carrier's regular round-trip fare is \$244.

► TWA has reduced its fare on the Newark-West Palm Beach run to \$89 (\$109 on weekends) to counter People Express' \$69 and \$89 rates . . . Air Florida has matched Midway's Chicago-Tampa tariffs, as have United, Delta and Eastern.

Route Report: More Flights, Fewer Passengers

► New York Air has withdrawn from the New York-Boston run as the result of a further five percent cut in flight allocations mandated by the FAA. The same carrier, however, expanded its service from its namesake city hub to Cleveland, Louisville and Washington, and plans Boston/Baltimore/Orlando runs . . . PSA began service October 1 to John Wayne Airport in Orange County with two daily nonstops to San Francisco . . . Alaska Airlines has begun service to Prudhoe Bay from Fairbanks and Anchorage . . . Frontier now serves Madison, Sioux Falls and Seattle out of Denver . . . Air Florida began Boston-Miami runs November 18 . . . On December 4, Capitol began five-times-weekly Chicago/Miami/San Juan service . . . Pilgrim Airways has opened service between New York and Ottawa with three daily round trips. The flights will use Kennedy Airport in New York because there is no pre-clearance for U.S. Customs at Ottawa . . . Another U.S.-Canada air link has been forged with the entry of Frontier into the Regina-Minot market. The flight goes on to Denver and Phoenix . . . Swift Aire Lines, a California commuter carrier which assumed some routes from affiliated Golden Gate Airlines when the latter carrier went out of business, also ceased operations . . . Frontier has opted to significantly decrease its Convair 580 propjet service in the wake of FAA-mandated allocation cutbacks, by 32 daily departures; no city will be left without service, some of which will be shifted over to the carrier's 737 fleet.

► The President has authorized American Airlines to begin flying new nonstop routes between Dallas, Rio de Janeiro and Sao Paulo, Brazil, affirming a CAB order . . . The same carrier began daily service between Dallas-Ft. Worth and Mobile, Hunts-

ville, and Harlingen (TX) December 1 . . . Busy Republic has added new nonstop runs over these routes: Atlanta-Miami (continuing on to Grand Cayman), Detroit-Houston (Hobby), Detroit-Memphis, Detroit-New Orleans, Detroit-Tampa, Houston-Orlando, Houston-Memphis, Houston-New Orleans, Orlando-New Orleans and Orlando-Jacksonville. Republic is also increasing service on several West Coast routes taken over from Hughes Airwest.

Flight Paths

► A number of the majors have canceled interline ticketing and baggage agreements with Midway Airlines in retaliation for the inroads the fledgling carrier has made into their markets. Similar retribution is also planned against other low-cost airlines . . . The Civil Aeronautics Board has rejected a petition by Spanish Main International Airlines, a new company, to be licensed as an air carrier. The new firm, denied rights primarily for financial reasons, sought authority to provide service between nine U.S. cities and points in Europe, Africa, Central and South America and the Middle East.

► New York Air says it saves \$100,000 a year in fuel costs by seating nonsmokers in the rear of its planes. An abundance of those not addicted to the weed places more weight aft and less fuel is needed to keep the plane properly balanced . . . It is expected that flight quotas will not be increased for the holiday season ahead, in the wake of PATCO's job action.

► Delta will begin serving canned rather than bottled wines in an economy move beginning next year . . . Western Airlines is negotiating to buy Sea Air motive, an Alaskan commuter carrier . . . Air Florida has asked the CAB for permission to buy 19.5 percent of Lacsca, the Costa Rican flag carrier. If the purchase is permitted, Air Florida will be the largest single shareholder in Lacsca. Air Florida links San Jose (the capital) with Miami.

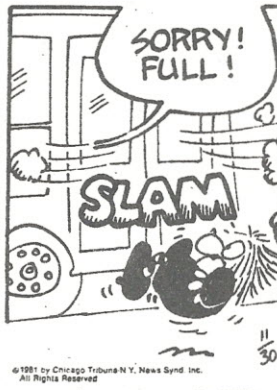
► Despite the PATCO walkout, the Department of Transportation continues to insist that flying is safer since the strike, because of restrictions on the amount of traffic in the skies, virtually eliminating holding patterns over major airports.

► The CAB has decided to extend subsidies to Pioneer Airways for at least another year to continue linking four southern Nebraska communities to Denver and Omaha . . . American has asked its employees to take a five percent pay cut for the first three months of 1982 . . . The same carrier has signed a contract with a Chicago firm that will result in American's being able to offer telephone service to passengers in flight beginning next year.

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FIRST CLASS MAIL



Adding to our special APTA/IPTE report (TC 10-30 October 1981) is this view of GMC's new articulated RTS. The 56-foot coach seats up to 65 (73 in the 61-foot version), and is available with either two or three doors, but is not expected to be in production until 1984. The unit is an articulated version of the Advanced Design Series "04" RTS coach. GMC Truck & Coach