

American Airlines to buy TWA

by Frank Swoboda and Don Phillips
The Washington Post
January 7, 2001

WASHINGTON - American Airlines Inc., in a surprise move, this week is to announce plans to buy financially troubled Trans World Airlines Inc., effectively ending one of the oldest names in U.S. aviation history, industry sources said Sunday.

At the same time, American has reached an agreement to buy 49 percent of DC Air, the airline being created by Black Entertainment Television founder Robert Johnson, and is close to a deal with United Airlines Inc. to jointly operate the US Airways Shuttle on routes from Washington to New York and Boston.

All three deals are to be announced Wednesday, sources familiar with the negotiations said. Cost figures were not available Sunday.

The moves are part of a complex deal designed to address federal antitrust concerns about United's proposed merger with US Airways Group Inc. as well as to improve American's competitive position in the United States. The acquisition of TWA would make American comparable in size to the combined United and US Airways after the planned merger. United already is the nation's largest airline.

As part of the TWA deal, sources said the St. Louis-based airline would file for Chapter 11 bankruptcy protection from its creditors Wednesday and American would buy all TWA assets and preserve the jobs of its 20,000 employees. The acquisition of TWA's St. Louis operation would give American a much-needed third mid-continent hub along with Chicago O'Hare International Airport and Dallas-Fort Worth International Airport, where it has run out of room to expand. American is a subsidiary of AMR Corp., which has its headquarters at Fort Worth.

The purchase of TWA, which has twice filed for bankruptcy protection, would consign the airline to the ranks of such departed carriers as Pan American World Airways and Eastern Airlines. American does not plan to continue the TWA name, sources said.

TWA officials declined to comment on the purchase. Other airline industry officials would not speak for attribution.

The agreements are expected to head off the concerns of congressional critics who have indicated that the United-US Airways deal would touch off another major round of consolidation in the airline industry.

With American's planned purchase of TWA and the Justice Department already having signed off on an alliance agreement between Northwest Airlines Corp. and Continental Airlines Inc., the remaining major airline, would be left with no major carrier with which to merge.

Although the United and DC Air agreements are designed to satisfy antitrust concerns, sources close to the negotiations said there was no guarantee the moves would satisfy the government. A source emphasized that Justice Department antitrust officials did not specify any of the moves being taken in the American agreements. "They just said, 'Here are our concerns, you go and find the solutions to them,'" the source said.

"This will handle most of the antitrust issues," said Darryl Jenkins, a professor at George Washington University who specializes in airline economics. "This one deal will make the merger of United and US Air-

ways likely."

Details of the agreement between United and American are still being wrapped up, but the agreement with DC Air was basically a done deal, sources said.

The purchase of 49 percent of DC Air by American would take the new airline out from under the influence of United. DC Air was being crafted from the merger of United and US Airways. US Airways is the largest airline operating at Reagan National Airport in Washington. To avoid antitrust problems, US Airways agreed

said a source familiar with the DC Air agreement.

Details of the agreement being worked out between American and United, has United selling American 86 jet aircraft, ranging from Fokker 100s and MD-80s to Boeing 757s. American plans to use the Fokkers, 11 of them at first, for DC Air; the rest would be used for its TWA operation, sources said. American also has the world's largest fleet of MD-80s.

American also has agreed to provide competition for United on five routes from US Airways hubs where

United and US Airways now compete, routes where the Justice Department has expressed concern about future lack of competition. The

United and US Airways hubs where the Justice Department has expressed concern about future lack of competition. The routes involve Charlotte, Pittsburgh and Philadelphia, a source said. Three of the routes are from Philadelphia to San Jose, Denver and Los Angeles; another is from Charlotte to Chicago's O'Hare airport and the fifth is from Pittsburgh to Reagan National in Washington.

In exchange, United plans to sell American coveted slots at airports in the eastern half of the nation from New York to Atlanta. American would pick up at least five slots at LaGuardia Airport, three at Reagan National, four at Boston's Logan International Airport and one each at airports in Newark, Philadelphia, Atlanta.

Perhaps the most novel agreement involves the hourly US Airways Shuttle service between Washington and New York, and New York and Boston. United would get the shuttle under its merger deal with US Airways, but under the agreement be-

tween United and American, the two airlines would jointly operate the shuttle. United and American would alternate hourly, with each airline flying under its own banner and colors. The airlines would not share revenue.

"Whoever carries the passengers gets the revenue," a source said. The shuttle would continue to operate from the same gates and each airline would honor the other's tickets for the shuttle. American's purchase of TWA makes enormous sense for American, analysts said.

TWA once was an aviation powerhouse, vying with Pan American World Airways for global travel dominance. But like Pan Am, TWA did not fare well after the airline industry was deregulated in 1978. Yet TWA owns one of the nation's smoothest flowing hubs, St. Louis, which almost sits astride the geographic center of the country's population. And although most of its aircraft are leased, TWA operates one of the most modern fleets in the United States.

"American is gaining a jewel," Jenkins said.

TWA's costs are unusually high, Jenkins said, because the airline has no credit. Thus, TWA cannot hedge on fuel prices and its aircraft lease fees to Boeing Corp. are steep.

But with American's expertise and financial power, he said, "all of a sudden you have a premier airline." As part of the bankruptcy filing, the lease agreements would be renegotiated.

In recent months TWA has been the subject of a several offers, but mostly for parts of the airline, and none to buy the entire airline. TWA President Bill Compton told key company officials Friday that he thought he had found a "white knight" to buy the airline, but he would not identify the buyer or the bankruptcy plan, a source said.

Effects of 'Virginity Pledges'

The Washington Post
January 7, 2001

As part of a campaign launched in 1993 by the Southern Baptist Church, more than 2.5 million American adolescents have taken public "virginity pledges" in which they promise to abstain from sex until marriage.

A new study has found that, for the most part, they mean it. At least for a little while.

Peter S. Bearman of Columbia University and colleagues analyzed the results of questions about virginity pledges included in a federally sponsored survey of 90,000 seventh- through 12th-graders conducted in 1994 and 1995 at 145 randomly selected U.S. middle schools and high schools.

On average, adolescents who made a pledge delayed having sex about a third longer - about 18 months - than those who did not, according to a report that is scheduled to appear in the January issue of the American Journal of Sociology.

But the power of the pledge appears to depend on age. The greatest effect was on 16- and 17-year-olds, and the least effect was on those 18 or older.

"Pledging delays intercourse only in context where there are some, but not too many, pledgers. Too few, and too many, pledgers in the adolescent world can negate the pledge effect," the researchers say.

"American is gaining a jewel,"

-Darryl Jenkins,
a professor at George Washington University
who specializes in airline economics.

to sell most of its "slots" - departure and landing rights - there to Johnson, who agreed to continue serving the 43 smaller cities now served by US Airways.

Under the initial proposal, United would provide jet aircraft and crews to DC Air until it could provide its own equipment and crews. American, a major competitor of United, will now provide those planes and crews.

Johnson has said that a buyer with a minority stake in DC Air would have first right of refusal to buy the government-restricted access to Reagan National airport. The airport is one of two airports - the other is New York's LaGuardia Airport - where the federal government controls access to the airport to curtail congestion.

American has the right of refusal if Johnson decides to sell his airline,

FCC may challenge AOL's grip on instant messaging

by Alec Klein
The Washington Post
January 9, 2001

America Online Inc. has long played down the financial potential of its popular instant-messaging software.

"We've always viewed it as a feature, not a business," chief executive Steve Case told Congress in September, arguing that it shouldn't be included as part of the government's review of AOL's takeover of Time Warner Inc. "It's not really a revenue-generating business for us."

It is now. In recent months, AOL has transformed the product that first caught on with teenagers as a way to trade quick messages into a money-making enterprise - raising new questions about whether AOL has a financial incentive to use its current dominant position in instant messaging to unfairly thwart competitors.

The company has placed several big advertisers on the pop-up window that appears on millions of computer screens when users activate the software. The advertisers include Gymboree Corp. and Universal Studios' hit movie "How the Grinch Stole Christmas."

AOL's two instant-messaging services, AOL Instant Messenger and ICQ, count more than 140 million registered users worldwide - far more than any of the company's rivals, including Yahoo Messenger and Microsoft's MSN Messenger Service.

Many analysts believe instant messaging is becoming the next great revolution in communications to rival the telephone. AOL is building its advertising base at a time when there is no competitor of comparable size, although Yahoo and Microsoft are gaining ground.

The Federal Trade Commission, which has jurisdiction over antitrust policy, reviewed the instant-messaging questions and decided to approve the merger last month without attaching conditions to that aspect of the

deal. The Federal Communications Commission is now weighing in, the last federal agency that must approve the deal before it is made final. The FCC has statutory responsibility to examine whether a merger would serve the "public interest," and it is under that authority that officials there are raising questions about how AOL runs its instant-messaging services.

Barry Schuler, AOL's president of interactive services, said this week that Case wasn't misleading members of Congress about the importance of instant messaging because it isn't "big business."

"That's not to say there's not revenue associated with it. There is," Schuler said, adding that AOL is in the early stages of determining what business model it will use for instant messaging. "This is all experimentation."

Schuler declined to say how much revenue it generates, characterizing the amount as "very, very small."

AOL competitors say it's important for federal regulators to view instant messaging not simply as a feature, but as a business that AOL could dominate and extend beyond enabling real-time exchange of text messages. Some believe, for instance, the service could become the preferred way to exchange music and videos. Instant messaging could become even more ubiquitous as the technology migrates to wireless phones and other devices.

"This is growing more rapidly than e-mail. What would happen if one company had a monopoly on e-mail?" said Jon Englund, vice president for policy and government affairs at Excite At Home, an Internet service offering a rival instant-messaging product.

"In some ways it's more important than e-mail. It gives you the ability to communicate with people in real time. That means that AOL will have a way to drive the Internet's future killer applications," Englund said.

AOL officials denied the company tries to harm competition, noting that AOL freely licenses its software to

other companies.

Some FCC officials want to impose conditions on the firm guaranteeing that it will allow rival instant-messaging systems to connect to its own. AOL has refused to make its software interoperable with others, saying it is concerned about users' security and privacy.

An FCC decision could occur this week. AOL, based in the Washington suburb of Dulles, Va., AOL and Time Warner of New York announced their \$183 billion marriage a year ago and have been working ever since to secure all the necessary regulatory approvals.

AOL notes that users can download the software free from the Web, and they do not have to be AOL subscribers to sign up. AOL recently started selling promotional space to big advertisers whose banner ads appear inside a pop-up box that lists a user's instant-messaging "buddies."

When users click on the banner ad, they are taken to that advertiser's Web site. Most other instant-messaging systems, including Microsoft's MSN Messenger Service, also sell banner ads.

Although no firm market share numbers are available, Internet research firm Media Metrix released a report in November that measured growth in instant-messaging use, comparing August 1999 with August 2000. It measured only actual use, based on company surveys, rather than the number of registered users. Media Metrix found that 21.5 million people in the United States used AIM in August 2000 and 9.1 million used ICQ. Yahoo had 10.6 million and Microsoft had 10.3 million.

Youssef Squalli, an analyst with investment bank ING Barings LLC, estimates that as of Sept. 30, the end of AOL's first quarter, the company had a backlog of about \$100 million in instant-messaging revenue for its ICQ service alone, including banner ads. That figure represents how much advertisers have committed in contracts to spending.

One Clinton's arrival, another's adieu

by Dale Russakoff
The Washington Post
January 7, 2001

NEW YORK - New York Sen. Hillary Rodham Clinton had her official swearing-in Wednesday on the Senate floor, followed by the traditional mock swearing-in in the Old Senate Chamber, where she and Vice President Al Gore reenacted the ceremony to allow for photographs, which are prohibited on the Senate floor.

And then Sunday came what everyone here called the "real swearing-in" - a swaying, swaying, celebrity-studded, standing-ovation-flooded affair on the stage of Madison Square Garden's theater, with Gore again doing the honors and President Clinton telling the crowd of 2,000 in his folksiest style, "Help my wife do a good job at what she ran for."

Even the three opening prayers - by an African American minister, a female minister and a rabbi - were interrupted by applause, starting when one minister thanked God "that You did not let the chads or the chadettes come to New York City" and continuing through each mention of Hillary Clinton, Bill Clinton or Al Gore.

"I have never heard so many applause lines in prayers - and I'm a Baptist!" Gore said to roars of laughter and, of course, more applause.

The New York State Democratic Party sponsored this reenactment of the reenactment of the swearing-in to give Clinton's New York friends and supporters a chance to get in on her victory celebration and to thank them for their work, party officials said. The event was open only to invited guests, and most people interviewed said they had received invitations, unsolicited, in the mail. But one man said he received a call from a Clinton fundraiser, which he took as a "heavy suggestion" that he should give money to the Clinton campaign committee in return for his ticket.

"I gave \$400," said the man, who asked to remain anonymous. He said he also had contributed to Clinton's primary and general election campaigns.

"I'm kinda tickled about living in New York. I feel kinda like Garrison Keillor feels about Lake Wobegon. Here I am in New York, where all the writers, artists and athletic teams are above average - and all the voters get their votes counted."

-President Bill Clinton

Sunday's event began with the 105 voices of Buffalo's Friendship Baptist Church choir warming up the audience with the national anthem and the "Battle Hymn of the Republic." Next came opera soprano Jessye Norman singing "You'll Never Walk Alone," followed by Nobel Prize-winning author Toni Morrison reading from her book "Jazz." The crowd was in a frenzy by the time Billy Joel concluded the artistic portion of the program with "New York State of Mind."

Hillary Clinton drew riotous applause as she pledged to serve all New Yorkers, but it was clear that these New Yorkers were applauding both Clintons. "I feel like I'm saying, 'Six

more years!'" said Andrew Mark, a New York inventor and supporter of both Clintons who came to the celebration with his son David, 17. "For me, she's the continuation."

Clinton the president made clear that he plans to work alongside Clinton the senator. As Hillary Clinton did as first lady, Senate spouse Bill Clinton referred to his wife's agenda as what "we" want to do.

"I'm kinda tickled about living in New York," Bill Clinton said. "I feel kinda like Garrison Keillor feels about Lake Wobegon. Here I am in New York, where all the writers, artists and athletic teams are above average - and all the voters get their votes counted."

Who let the sled dogs out?



PHOTO FOR THE WASHINGTON POST BY BARBARA JOHNSTON. Sarah Downey, 13, gets a greeting from her sled dogs at home in Pennsylvania. Her family moves to Alaska each winter to race.