

Northern Airlines hopes for exposure

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The brain trust of Northern Airlines knows they can be successful. They have recruited a chief executive officer, Edward R. Beauvais, who has started three other airlines-including the highly successful America West. They have experienced staff, a seemingly solid business plan, and one goal in mind to make it easy and affordable to fly in and out of Syracuse Hancock International Airport.

"We'll start out, hopefully later this summer, with three aircraft focused on business markets-New York, Boston, Washington, Chicago-and then we'll go into the leisure markets, the Florida markets," says Timothy F. Sieber, Northern's vice president for marketing and customer service. "And then over a five-year period we have a plan where we expand to 32 airplanes serving 41 destinations."

For those four cities, Northern expects to service Newark, Logan, Dulles, and Midway airports, respectively, but hopes to add LaGuardia, Ronald Reagan Washington National, and O'Hare International to its selection as soon as possible.

Northern plans to begin operations with a capital of \$50 to \$75 million. According to an information packet provided by the airline, the company is currently undertaking a private placement of its preferred stock. The net proceeds of that placement will be about \$47 million if the minimum is placed, and approximately \$71 million if all the shares are placed. The company plans to release an Initial Public Offering about three years after commencement of its operations.

According to Sieber, the company plans to secure all of its funding most of which comes from hedge funds and institutional investors within the next 90 days.

Northern will begin by using the Boeing 737-300 airplanes, which were first built in 1984. According to Boeing, there is a 737 taking off approximately every 5.5 seconds around the world. Southwest and US Airways were the first two airlines to receive the 737-300 aircraft in 1984, and through 1998, more than 1,100 had been ordered. Northern plans to have 12 business class and 114 coach seats on each flight.

Additionally, Sieber says the airline is looking to enhance the flying experience by adding, for example, an alternative to the on-board television sets that jetBlue Airways currently offers. (JetBlue owns the company that developed the technology for the on-board television and, according to Sieber, is unlikely to make that available to another airline.)

The planes will allow Northern to fly to its four initial cities and help pave the way to other cities-Montreal; Ottawa; Portland, Maine; Hartford; Indianapolis; Orlando; Tampa; Fort Lauderdale; Denver; and Las Vegas-that the airline proposes to reach in its first year.

Sieber lists Northern's main competition as "Ford, General Motors, and Chrysler because most of our business is driving to other airports right now," he says. "That is the wonderful, and at the same time, sad thing about this market. There's no competition here. There really is very little competition. And that's one, of the reasons that prices are so high."

Originally, Northern had ordered Boeing 717-200s, but due to the popularity and demand of the aircraft, Boeing sold out and Northern had to re-assess the situation. (AirTran primarily uses the 717-200.) However, this might turn out to be a blessing in disguise for Northern, as the 737 has a larger fuel capacity than the 717, and therefore can make longer flights. Sieber estimates that on cross-country flights from Syracuse, a 717 would run out of fuel around Denver, while the 737 would make the trip with relative ease.

Northern subsequently plans to order 737-600s and 737-700s, the successor to the 737-300. The "next generation" planes, as Boeing labels them, seat 110 to 149 passengers and have been certified by the Federal Aviation Administration.

Beauvais, one of about five employees who are currently based in Syracuse, founded America West Airlines in 1981, Western Pacific Airlines in 1994, and Mountain Air Express in 1996. (Mountain Air was sold to United Express in 1998.)

He built America West into a billion-dollar company within its first eight years, and served as its chairman and chief executive officer for

11 years. During his tenure, America West acquired more than 100 aircraft and employed 14,000 people. Beauvais left America West on July 31, 1992.

Sieber joined Northern in 1996. Before that, he worked for the Boyd Group in Denver, where he analyzed airlines, airports, and aircraft manufacturers.

"I thought it was a great idea," Sieber says of joining Northern. "They asked if I would want to take a chance and come to Syracuse and I jumped at that chance."

The airline projects that its five-year economic impact on Central New York will include \$174 million in payroll and a \$928 million net imported into Central New York. The airline also projects it will help create more than 2,500 new jobs; of these, 1,275 will be airline employees. (Northern projects that the average salary will be \$37,000, a figure 70-percent higher than the current average earnings per capita in the region.) Overall, Northern projects its total economic impact on Central New York will be more than \$4.2 billion.

Northern also plans to create a broadbased marketing strategy that will make local residents aware of the company.

"What you have to do is create demand," Sieber says. "Low fares create demand, but you just can't have low fares. You got to make people aware of the availability of low fares so you can effectively compete with other discretionary purchases. If I've got \$100 in my pocket, I can either go to Florida or I can go buy a new CD player. You have to compete for those discretionary dollars using advertising. You have to make people aware that air travel now is a viable choice for their dollars."