

**Minutes of the Meeting of the
Air Transportation Stabilization Board
January 31, 2002**

The meeting of the Air Transportation Stabilization Board (“Board”) was held in the offices of the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, Washington, D.C., on Thursday, January 31st, 2002 starting at 8:42 a.m.

The following people were present at the meeting:

Board

Edward M. Gramlich, Chairman of the Board, and Governor, Federal Reserve Board
Peter R. Fisher, Voting Member of the Board, and Under Secretary for Domestic Finance, Department of the Treasury
Kirk K. Van Tine, Voting Member of the Board, and General Counsel, Department of Transportation

Board Staff

Joseph P. Adams, Jr., Executive Director
Brad S. Lerner, Acting Legal Counsel, and Attorney, Office of the General Counsel, Department of the Treasury
John A. Knubel, Chief Administrative Officer
Michael Kestenbaum, Financial Analyst

Others

Federal Reserve Board

J. Virgil Mattingly, General Counsel
Donald J. Winn, Assistant to the Board
Daniel E. Sichel, Senior Economist, Division of Research and Statistics
Christopher W. Clubb, Senior Counsel

Department of the Treasury

Roger E. Kodat, Deputy Assistant Secretary for Government Financial Policy
Michael D. Scott, Senior Advisor to the Deputy Assistant Secretary for Government Financial Policy

Department of Transportation

Terence W. Carlson, Attorney, Office of General Counsel,
Nancy Kessler, Attorney, Office of General Counsel
Regis Milan, Associate Director, Office of Aviation Analysis, Office of the Assistant Secretary for Aviation and International Affairs
Bernard Fishman, Office of Inspector General
Suzanne Shaps, Office of Inspector General

GAO did not attend this meeting.

Governor Gramlich called the meeting to order.

Mr. Adams presented the Board staff recommendation to reject the application for Vanguard Airlines. A number of reasons were cited, particularly important was the [REDACTED] probability of default and the resulting credit subsidy that a [REDACTED] rating implies.

The Board members discussed the various factors and the implications of each factor. The Board indicated a preference to reject the Vanguard application. The Board authorized Mr. Adams to communicate with the applicant that they should withdraw their application. To the extent that they did not withdraw their application, Mr. Adams was to send a letter to the applicant indicating that the Board cannot approve the application.

Separate from the Vanguard application, the Board's meeting continued on other Board business. Mr. Fisher indicated a desire to have staff look at the question of "safe, efficient and viable" and that he does not believe that small carriers should be excluded. Mr. Van Tine agreed that all views on the "safe, efficient and viable" question should be developed and considered.

Mr. Adams provided the Board an update on staffing, applications and the state of the industry.

Mr. Fisher indicated that he wanted the issue of executive compensation explored. Mr. Van Tine indicated that he would put some work into this topic.

The Board voted unanimously to approve the Procedural Regulations and authorized the Board staff to make any technical amendments necessary for publication in the Federal Register.

The meeting adjourned at 9:17 a.m.

[redacted]