

INTERNATIONAL AIRPORT REPORT

Volume 8 Number 2

February 2000

Australian Airports To Gain From New Services

Plans for three domestic airlines to commence new operations in Australia this year should be positive for Australian airports, Moody's Investors Service concluded in a newly released report.

In its forecast, Moody's cited the likelihood of significant near-term growth in passenger numbers and the diversification of airports' carrier bases as positive trends. At the same time, however, Moody's highlighted some possible challenges to airport creditworthiness, particularly the prospect of significant near-term capital expenditures to accommodate expanded service.

Upcoming Events

April 17-18...Winnipeg, Canada
IAAE-Canada Airport Performance
Measurement and Benchmarking
Workshop.

June 25-27...Vancouver, Canada
U.S. and Canadian Airports and Tourism
Development Workshop.

July 9-11...Limerick, Ireland
U.S./European Airport Security and
Safety Workshop.

Aug. 13-15...Sun City, South Africa
African/U.S. Airport Infrastructure/
Safety/Security Workshop and Trade
Show.

Aug. 13-15...Vancouver, Canada
U.S./Canadian Senior Airport manage-
ment Workshop.

October 15-18...Buenos Aires
Latin America/South American Avia-
tion Infrastructure/Safety/Security
Workshop and Trade Show.

Moody's noted that Virgin Airlines and two existing local airlines, Spirit Airlines and Impulse Airlines, have announced plans to commence new operations in Australia by the middle of 2000. Initially, each will focus primarily on the Brisbane-Sydney-Melbourne routes. "Although the airports of these three major cities will be affected immediately, it is also likely that smaller airports, such as Perth, Coolangatta and Adelaide, will need to consider the potential impact of the new airlines on their operations," stated Moody's vice president Brian Cahill, who authored the report with senior vice president Adam Whiteman.

Moody's said that the entry of new low-cost carriers could benefit most Australian airports by stimulating passenger growth and tapping a new market, namely budget-conscious leisure travelers who might not otherwise have considered air travel. The new entrants might also generate more services from existing carriers that wish to remain competitive.

Also on the positive side, Moody's said that new airline entrants would diversify an airport's carrier and revenue base, thus reducing its dependence on Australia's two dominant carriers, Qantas and Ansett.

However, Moody's warned that these credit benefits need to be viewed cautiously until the start-ups are well established. Start-ups are often challenged by the lack of cheap, airworthy aircraft, rising labor costs, lack of adequate capitalization and aggressive competition by major airlines.

AAAE/IAAE Plan International Meetings

AAAE and the International Association of Airport Executives (IAAE), this year will sponsor a number of international management conferences to allow

airport industry professionals to exchange knowledge and expertise on a global scale.

Presenters at these conferences will include top airport and airline officials from around the globe, high-ranking U.S. and European government leaders, U.S. ambassadors and other key U.S. embassy officials and executives from leading airport-related companies worldwide.

International meetings scheduled for this year are: 72nd Annual AAAE Conference and Expositions, May 21-24, Baltimore, Md.; U.S./European/Canadian Airport Security and Safety Workshop and Trade Show, July 9-11,

IAAE-Canada Names New Executive Director

Ted Syme has been appointed executive director of IAAE-Canada. In this post Syme, currently a senior professor at Georgian College-Canadian Aviation Institute in Barrie, Ontario, will work to build membership numbers and move forward with the Canadian Accreditation Program (CAP) 2000.

Membership is being reorganized, and new corporate members are being recruited, Syme said. In addition, CAP 2000 will be introduced shortly to new and current non-A.A.E. members in Canada to allow them to work toward accreditation using Canadian airport subject matter. Syme said a target of 400 members has been set for the next two years. IAAE-Canada is working closely with AAAE headquarters for assistance with infrastructure, and coordination with other international members and activities. The organization will also run Canadian versions of the Airport Safety and Operations Schools that have been popular in the United States.

Limerick, Ireland; South Africa/U.S. Airport Infrastructure Safety/Security Workshop and Trade Show, Aug. 13-15, Sun City, South Africa; International Environmental Management Conference, Sept. 10-12, Prague, Czech Republic; Latin America/South America/U.S. Airport Infrastructure/Safety/Security Workshop and Trade Show, Oct. 15-18, Buenos Aires, Argentina; Central Europe/U.S. Airport Infrastructure and Safety/Security Workshop and Trade Show, Nov. 12-14, Budapest, Hungary, and South America/Latin America/U.S. International Airport Performance Measurement and Benchmarking Workshop, Dec. 3-5, Rio de Janeiro, Brazil.

For information on individual meetings, call AAAE's meetings department at (703) 824-0504. Registration/hotel information are available three months in advance of each meeting.

Lockheed Martin Wins Contract for Scotland's ATC

The U.K.'s National Air Traffic Services Ltd. (NATS) has awarded a contract to Lockheed Martin for the development of the New Scottish Centre (NSC) air traffic control system to be installed at Prestwick in Ayrshire, Scotland. The two-year initial system development effort is funded at U.S. \$80 million.

NSC will replace an aging system and progress NATS' two-center strategy to address U.K. air traffic growth over the next two decades. When completed, NSC will provide advanced en route air traffic control services for the Scottish Flight Information Region, which covers the airspace for all of Scotland and Northern Ireland, as well as interfaces for oceanic air traffic control.

BA Reports Third-Quarter Financial Loss Narrows

British Airways reported that its third-quarter pretax loss narrowed to \$95.5 million as the airline continued to be hurt by a glut of low-cost fares.

On the basis of operations, the company lost \$3.2 million in the quarter ended Dec. 31.

Operating results continued to be hurt by excess seats in the industry, which produced an abundance of low fares, the airline said. BA said it responded by increasing the number of higher-paying premium passengers.

The airline said it is implementing various cost-cutting measures and innovations, including the launch of a fourth class, to stem losses.

Nav Canada Expands Ottawa ATC Operation

Nav Canada said it will proceed with an expansion of its Ottawa air traffic control operation. This expansion increases the area controlled by the Ottawa Terminal Control Unit and will lead to as many as six new air traffic controller jobs in Ottawa over the next year and a half.

The expansion returns to Ottawa the control of an airspace sector that was transferred to Toronto in 1996. About half of the controllers in the Ottawa unit have previous experience dealing with the traffic in this sector.

Air Canada To Operate Daily Washington Dulles-Vancouver

Air Canada will begin daily nonstop service between Washington Dulles Airport and Vancouver on June 5. The new service will augment Air Canada's current 27 daily nonstop flights between the Washington area and Canada.

To promote the new service, Air Canada is offering a special introductory roundtrip fare of \$239 for travel between June 5 and July 17.

Emery Worldwide Opens Operation In Poland

Emery Worldwide has opened its first wholly owned operation in Poland. The company said the move is a major step in its service expansion for businesses operating in Central Europe.

Peter Quantrill, Emery's vice president- international, explained that, "Now is the right time to position ourselves within this increasingly important market, which has seen significant increases in both exports and imports of 11.5 percent and 10 percent

in 1999 respectively."

IATA Calls For Action To Reduce European ATC Delays

The International Air Transport Association (IATA) is calling on European transport ministers to do more to reduce air traffic delays in Europe and build what IATA called a "safe, efficient and cost effective air traffic management system."

IATA said it supports European community membership in Eurocontrol, the centralized European air traffic control entity, and hopes that it will lead to a separation of regulation and service provision at both the national and continental levels. The association said that strengthened capacity planning by Eurocontrol is essential to progress in the air traffic management arena, adding that capacity targets set for summer 2000 and 2001 are "utterly inadequate—and will lead to a continuation of the current delay crisis."

IATA also pointed to a study planned to examine the implications of increasing air traffic capacity to keep up with demand, saying "any such study must be predicated on the need to accommodate growth while maintaining safety."

INTERNATIONAL AIRPORT REPORT

Editor Barbara Cook

Production

Editor Holly Ackerman

Spencer Dickerson, C.M.

Executive Director

Will James, C.M.

Managing Director, Canadian Programs

INTERNATIONAL AIRPORT REPORT is published monthly by the International Association of Airport Executives, an affiliated company of the American Association of Airport Executives, the largest professional organization for airport executives in the world.

OSI Systems Wins \$3 Million Dubai Security Contract

The Dubai Department of Civil Aviation has awarded OSI Systems a \$3 million contract for a complete security and inspection product package for Dubai International Airport. Product shipments will begin immediately.

Air Canada Invests In Dorval Technical Center

Air Canada is investing \$23 million and creating up to 200 new jobs at its Dorval technical center in the Montreal region. The initiative will upgrade existing maintenance facilities and position Air Canada as an international leader in providing third-party maintenance services for Boeing 767, Airbus A330 and A340 aircraft, the carrier said.

Work on the project is already underway with all construction and improvements scheduled to be completed by December 2000.

China Accepts ATC System At Kunming Airport

The Civil Aviation Administration of China has accepted Raytheon's air traffic control (ATC) radar system at Kunming International Airport. Kunming, a major city in southwest China, is the first center in the region to have a modernized ATC system installed.

The Kunming ATC system provides approach and area control services at the airport and consists of a solid-state, digital primary surveillance radar, the ASR-10SS, and an Autotrac Air Traffic Management (ATM) system. It is integrated with an existing secondary radar, Raytheon said.

Passenger Numbers Increase At Cologne/Bonn Airport

Despite the German government's transfer of the capital to Berlin, steadily rising passenger numbers have led to an expansion at Cologne/Bonn airport in the country's former capital.

In spring 2000, a new terminal with the capacity to serve an additional six

million passengers a year will be completed. Airport officials attributed the airport's growth to its location and wide catchment area, as well as its proximity to 30 percent of the strongest German exporting companies.

A link to the high-speed ICE train network will be completed in 2002.

Ratings Firm Positive On LanChile Prospects

Duff & Phelps Credit Rating Co. (DCR) reports a positive view of LanChile's ability to strengthen its competitive position and remain profitable in the face of a negative operating environment.

"In recent years, operational challenges facing LanChile have included increased competition in the company's domestic and North American passenger routes, and weak passenger demand in the Latin American region," said DCR analyst Guido Chamorro in a new report. "Two key factors that have helped LanChile weather these challenges are its growing cargo operations—which currently account for more than one-third of revenues—and its ability and willingness to decrease capacity when faced with decreased demand."

The Outlook for LanChile's 'BBB' (Triple-B) rating is stable. Although credit protection measures are low for the rating category, DCR said it believes that LanChile is well positioned to improve profitability as Latin America emerges from its current economic downturn.

Birmingham Airport Freezes Charges

Birmingham International Airport announced it will freeze main airport charges for the fifth consecutive year. Officials said the decision to keep runway and passenger charges at 1995-1996 levels was made to maintain Birmingham's competitive position in the international airport market.

"The new charges, effective beginning April 1, represent a significant real reduction in the level of airport charges after allowing for inflation. The freeze is being maintained despite the abolition

of duty free sales within the EU," according to a statement by the U.K. airport.

China Southern Launches E-Commerce Links

China Southern Airlines announced the Internet launch of Et-China.com (www.et-china.com), a new e-commerce travel website offering online ticket reservations and ticketing to corporate and leisure travelers, and travel agents throughout China.

Et-China.com is the first online travel site that is in strategic partnership with a major airline and a major financial institution in China.

Brazil Buys Airport Traffic Management Software

The Preston Group (TPG), a wholly owned subsidiary of Boeing, announced that Brazil has become the first South American country to purchase a Total Airspace & Airport Modeler (TAAM) license, a TPG product. TAAM is a fast-time, gate-to-gate simulation tool used by civil aviation authorities, aviation research firms, airlines and airports worldwide to analyze operations, redesign airspace, optimize the use of existing facilities, and plan for the future.

The Brazilian government is upgrading its aviation system and is working with the MITRE Corporation's Center for Advanced Aviation System Development (CAASD) to develop an integrated airport and airspace system plan commensurate with the technological advances in civil aviation and the socio-economic evolution of the country.

Delta Boosts Service To Switzerland

Delta Air Lines announced it will begin daily, nonstop service between New York's Kennedy International and Zurich, Switzerland on March 26, using Delta 767-ER aircraft.

The New York to Zurich daily service is in addition to Delta's present daily, nonstop service from Atlanta and Cincinnati to Zurich.

News From Around The World

The U.S. Transportation Department has approved applications from Northwest Airlines and American Airlines to provide **U.S.-France** third-country code share services. Northwest plans to operate its service via Italy through its code share agreement with Alitalia, while American will operate its service via the U.K. and Brussels under code share arrangements with British Airways and Sabena, respectively.

Allegheny County (Pa.) Airport Authority has awarded BAA plc a contract to analyze the current cargo business and international passenger routes at Pittsburgh International Airport and to work with officials to develop strategic plans to maximize service at the airport. The company's subsidiary, BAA Pittsburgh Inc., developed the retail facilities, AIRMALL, at the airport. Under the agreement, BAA will assist the airport authority with the development of a preliminary analysis and strategic framework for air cargo and international passenger marketing and implementation.

The Portuguese government said it will sell a 39 percent stake in **TAP Air Portugal** to Switzerland's **SAirGroup** as part of a first-stage privatization of its flag carrier.

China Southern Airlines will launch its first international cargo service on March 29, with dedicated 747-200 freighter service between Shenzhen and Chicago.

Air Canada will begin daily nonstop service between **Austin-Bergstrom (Texas) International Airport** and **Toronto** on June 5. The airline will become the first major carrier to offer scheduled international service from Austin, and the only airline linking Austin and Canada.

CanJet confirmed plans to establish a discount passenger jet service based at **Hamilton (Canada) International Airport**. Carrier officials said route details are still being developed, but it is expected that CanJet will link Hamilton with Ottawa, Montreal and

Atlantic Canada. In addition, the carrier plans to establish service to Winnipeg and Thunder Bay, with a possible extension of service to west to Calgary. CanJet also is exploring cross-border connections to the U.S.

Korean Air has announced plans to expand its service out of **Dallas Fort Worth International Airport** with three new weekly nonstop flights to Seoul, Korea.

The U.S. Transportation Department has granted TWA authority to provide New York-Bermuda service, effective through Feb. 3, 2002. TWA said it intends to offer daily seasonal service between **LaGuardia Airport** and **Bermuda**, beginning May 27.

Delta Air Lines and Air France announced they will offer daily, nonstop code share service from **Charles de Gaulle International Airport** in Paris to both **Lisbon** and **Porto, Portugal**. The service will be provided on Air France operated aircraft beginning March 1.

The Greater Toronto (Canada) Airports Authority (GTAA) has opened a 2000-space reduced rate parking lot across from Terminal 3 at Lester B. Pearson International Airport. The new lot is served by 24-hour shuttle-buses and provides a cheaper alternative for long-term parking, officials said. The rates are 30 percent less than those for garage parking at the airport. This GTAA superstructure project is one of several changes underway as the Canadian airport undergoes a total redevelopment. In early 2001, Pearson Airport will implement further improvements to parking facilities, with an expansion to the parking garage at Terminal 3.

Worldwide Flight Services was selected by Continental Airlines and Continental Express to provide ramp services at **Toronto's Pearson International Airport**. Worldwide will begin servicing seven Continental 737 daily flights and five Continental Express regional jet daily flights on Feb. 27.

Alitalia said that it will take "drastic measures" to cut costs as its profit and share price have taken a dive following

unexpected delays in transferring flights to a new international hub at **Malpensa**, near **Milan**. Alitalia said its profit fell to nearly zero last year, compared with USD\$208 million in 1998. Alitalia will freeze plans to hire 2,400 new staff, reduce the flight frequency on some routes or close them down altogether, delay scheduled investments in new aircraft and cut costs across the board by selling assets and curtailing sponsorship expenses, a spokesman said.

Virgin Atlantic has opened its first-ever arrivals lounge, called Revivals, at **London's Heathrow airport**. Revivals has been designed to accommodate up to 52 passengers with areas divided into reception, shower rooms, a Virgin Touch salon, business area and lounge and bar area.

Thai Airways will receive USD\$503 million from the U.S. Export-Import Bank to buy five Boeing commercial jets, the bank said.

The U.S. Transportation Department said that **Port-au-Prince (Haiti) International Airport** now meets the security standards set by the International Civil Aviation Organization (ICAO).

Air France and Comair have filed for blanket U.S.-France code share authority with plans to begin code share service by March 26. In the filing, Air France said it plans to launch **Cincinnati-Paris** service this summer and wants to place its code on Delta Connection flights operated by Comair between **Cincinnati** and numerous U.S. cities.

SAS has selected the V2500 to power its next generation of single-aisle aircraft. The order consists of 12 **Airbus Industrie** A321-100s with options on a further 10, all to be equipped with V2530-A5 engines rated at 30,000 pounds of thrust. The business is worth up to \$265 million to IAE International Aero Engines AG (IAE), the multi-national consortium responsible for the V2500. The firm part of the order alone is valued at \$145 million and the first firm aircraft will be delivered in the autumn of 2001.