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BAA Unveils Upgrades At Gatwick's North Terminal

BAA chief executive Mike Hodgkinson recently unveiled \$133.6 million in upgrades to passenger facilities at Gatwick's North Terminal, part of the airport operator's \$890.8 million capital investment program.

The centerpiece of the package, designed to improve passenger service and ease movement between aircraft and terminal, is a \$117.3 million plan for a new pier giving direct access between aircraft and the terminal for up to 12 flights. Pier 6 will be linked to Gatwick's North Terminal by a bridge taking passengers over an aircraft taxiway—the first project of its kind at any European airport, BAA said.

Upcoming Events

March 7-9, 2001...Rio de Janeiro, Brazil
Latin American/U.S. Airport Best Practices Conference and Trade Show

April 22-24, 2001...Salzburg, Austria
U.S./European Aviation Environmental Management Symposium

June 17-20, 2001...Helsinki, Finland
U.S./European Airport and Airfield Safety Workshop

Sept. 30-Oct. 3...Dubrovnik, Croatia
International Airports and Tourism Development Workshop

Oct. 14-16, 2001...London, England
European Airport Risk Management and Liability Insurance Workshop

Nov. 4-7, 2001...Salzburg, Austria
7th Annual Central Europe/U.S. Aviation Infrastructure/Safety Workshop and Trade Show

The package also includes a just-opened \$19.3 million passenger lounge extension on Pier 4, and a \$2.96 million building for arriving passengers at Pier 5, also just opened.

Altogether, the upgrades will substantially reduce the numbers of passengers who need to be taken to and from their aircraft by bus. The air bridge plan alone will save up to 50,000 bus trips a year, BAA said.

"This package of investment in new passenger facilities is part of BAA's continued commitment to invest, to ensure we can offer the best levels of service for customers at our airports," said Hodgkinson. "At the same time, all the schemes and initiatives being developed at Gatwick are designed to help the airport manage its environmental impact."

U.K.'s New ATC System Moves Closer To Operational Service

The U.K.'s new air traffic control system, developed by Lockheed Martin Air Traffic Management (LMATM), has moved one step closer to operational status with the successful handover of the New En Route Center (NERC) system to the U.K. National Air Traffic Services (NATS) controllers on Dec. 19.

Located at Swanwick, in Southern England, the NERC air traffic control system will control all en route traffic over England and Wales.

On Dec. 19, the new center became a fully functioning part of the NATS air traffic control system when engineers handed the system over to controllers, and connected the system to the NATS operational network for the first time. With this "technical handover," the Swanwick Centre will be working 24 hours a day, seven days a week for the next 30 years. During the next 12 months, some 600 controllers and assistants will undertake an operational

conversion training program—one of the largest ever in the history of air traffic control—while NATS continues to provide a full service from the existing center at the London Area and Terminal Control Center at West Drayton, near Heathrow Airport. The Swanwick center will enter operational service in January 2002, when it will handle up to 6,000 flights a day, employing 360 controllers.

Last year Lockheed Martin was awarded a contract for the development of the U.K.'s New Scottish Center (NSC) air traffic control system, which will be installed at Prestwick, and will complete the U.K.'s two-center strategy program. NSC will provide air traffic control services, covering all of Scotland and Northern Ireland.

NavCanada Reports First-Quarter Financials

NavCanada announced its financial results for the three-month period ending Nov. 30, 2000. The results reflect continued growth in air traffic and the extension of the reduction in customer service charges, the company said.

After rate stabilization, the company's total revenues for the first quarter were \$230 million, derived primarily from customer service charges. Total operating expenses for the period were \$176 million, including salaries and benefits of \$122 million.

New Date Set For Rio Meeting

The new date for the Latin American/U.S. Airport Best Practices Conference is March 7-9, 2001, in Rio de Janeiro, Brazil.

Registration information will be available soon.

LanChile, Peruval Reach Accord To End Legal Actions

LanChile announced Jan. 12 that it had reached an agreement with Peruval to end both LanChile's and Peruval's pending legal actions.

In addition, in a transaction to which LanChile was not a party, Peruval sold its 30 percent stake in LanPeru to Emilio Rodriguez-Larrain, a Peruvian lawyer and businessman. As a result of the sale, LanChile and Inversiones Aereas S.A., which have 49 percent and 21 percent respective stakes in LanPeru, have signed a new shareholders' agreement with Rodriguez-Larrain. Sergio Purcell also reassumes his position as the CEO of LanPeru, effective immediately.

LanChile said it "apologizes for all inconvenienced and displaced passengers as well as LanPeru employees. LanPeru's domestic service is expected to resume immediately and its international service soon after. LanChile is committed to reestablishing LanPeru operations with the high-quality service that is consistent with LanChile's world-class service and safety standards."

Swissair CEO Resigns, Airline To Focus On Existing Business

Swissair CEO Philippe Bruggisser resigned as chief executive Jan. 23 and the carrier announced that it will stop acquiring other airlines and will concentrate instead on improving passenger service.

Bruggisser had been criticized for acquiring second-tier and third-tier airlines in an attempt to create an alliance dominated by Swissair. Swissair group said it will make no further airline investments or acquisitions, but will "substantially upgrade the appeal of Swissair, Crossair and Sabena" and will place a great deal of emphasis on the quality of passenger service.

Eric Honegger will take over temporarily as company chief executive.

IATA Calls For New Source Of Funding For ATC Providers

National air traffic control providers need to incorporate to generate a new type of low risk, long-term debt financ-

ing for aviation infrastructure improvements, according to Pierre Jeannot, director general of the International Air Transport Association (IATA).

Speaking Jan. 23 at the European Congress on Participation in Global Infrastructure in Frankfurt, Jeannot said, "Achieving a true 'One European Sky,' which is critical to the ending of ATC delays, could take a long time in the present political set-up. So, we believe that to get the change underway, what is needed is corporatization of national ATC service providers. Corporatized ATC could be financed through a brand new market instrument. If the paper of ATC corporatization is to be quoted on the Frankfurt stock exchange, this does not have to be in the form of equity. In fact, we believe these corporations can be debt financed, and there are some good examples of this working, for example in Canada."

Jeannot noted that 30 such infrastructure enhancement and financing projects are presently in operation around the world, mainly in developing countries. "While those current financial arrangements are all of relatively short term nature, it would seem to me that an opportunity exists for various financial institutions, working with us, to develop a new type of low risk, long-term debt financing for aviation infrastructure, a brand new aviation financial instrument." These typically would be 25-year bonds, carrying an attractive rate of interest, Jeannot said, adding, "They would at the same time be low-risk, with their viability guaranteed by the contracted cash-flow from future user charges."

Cathay Pacific Predicts Economy May Slow Growth

Cathay Pacific Airways predicted that its passenger traffic will decline this year due to an expected slowdown in the U.S. economy.

The airline, which is delaying a decision on ordering aircraft, said it would have load factors ranging between 74-75 percent this year, down from 76.2 per cent in 2000. Last year's levels were a record, giving Cathay its best first-half profit and highest-ever full-year earnings.

Moody's Investors Reduces BA, Air Canada Debt Ratings

Moody's Investors Service in late December downgraded its debt ratings (senior to A3) of British Airways.

Moody's said the downgrade reflects expectations that cash flow in the short to intermediate term will not be sufficient to meaningfully reduce the company's currently high lease adjusted leverage, the potential for softness in demand and the event risk associated with the current restructuring of the European airline industry.

Balancing these risks is the clear indication of the longer-term earnings potential of the company's current business strategy, a willingness to dispose of non-productive assets and BA's strong route network and global position in the industry, Moody's said. The rating actions conclude the firm's review that was initiated in August, 2000 and the outlook is stable.

In separate action, Moody's downgraded Air Canada's long-term debt rating to B1 from Ba3. The outlook is stable. The downgrade concludes Moody's rating review and reflects concern that the combined effects of a potentially weaker business environment during 2001, capital investment requirements and the ongoing financial

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and operating risks associated with the company's acquisition of Canadian Airlines will result in lower debt protection measurements for the intermediate term, Moody's said.

The ratings firm said its action is supported by Air Canada's premier position in Canada's airline industry, its increasingly strong route structure, its affiliation with the Star Alliance, which has provided financial support, and the relatively efficient integration of Canadian Airlines achieved thus far.

WestJet To Add Service To Toronto's Pearson Airport

WestJet Airlines said it will institute service to Toronto's Pearson International Airport in July 2001.

The low-fare airline said it will offer nonstop service from Toronto to Calgary twice daily, with connections from Calgary to many of its other western cities.

Further details of WestJet's schedule and fares will be released in early February, pending the finalized discussions with the Greater Toronto Airport Authority (GTAA). However, the airline has confirmed that it will operate this route as a result of its acquisition of new generation Boeing 737-700 aircraft.

Hamilton will continue to be the major Ontario hub on the WestJet network, providing connections east and west. The Toronto to Calgary nonstop service will commence as a connection only to its western route network.

WestJet recently reached a new five-year contract with its pilots, which provides for annual salary increases for each of the next five years and stock options to be granted based on value in place of a fixed number of options. The agreement also provides for scheduling and productivity increases.

BAA's U.K. Airports Post Gains In December

BAA plc said that its seven U.K. airports handled 8.8 million passengers in December, an increase of 11.2 percent over December 1999.

Several factors impacted the figures: U.K. domestic traffic, excluding the

Channel Isles, grew 14.3 percent due to continued rail service disruption, giving a total of 150,000 more passenger movements, over a quarter of whom traveled through Stansted.

December also included a recovery in passengers who did not travel in December 1999 due to concerns about the Millennium date change, BAA said. Adjusting for these factors, the underlying increase for the month was close to 5 percent.

U.S. Softens Proposal To Require Shareholder Data

The U.S. has retreated from a proposal that would have required airlines from Singapore, Brunei, New Zealand and Chile to notify the U.S. Transportation Department 30 days in advance of any 5 percent change in their shareholding.

The order, as amended, requires changes in shareholding to be reported only if they raise an investor's stake to more than 40 percent or involve an increase of more than 20 percent. Further, the revised version requires foreign airlines to notify DOT of such changes 30 days after the transaction rather than before it takes place.

The four countries are involved in a multinational open skies agreement with the U.S. that was signed in November 2000.

ICAO Committee Develops Noise Recommendations

The Committee on Aviation Environmental Protection (CAEP) of the International Civil Aviation Organization (ICAO) this month reported it has developed a comprehensive series of recommendations to reduce the environmental impact of aircraft noise and engine exhaust emissions. The recommendations will be submitted to the Council of ICAO for review and further action.

"The conclusions and recommendations of CAEP will greatly assist the Council in formulating new policies and adopting new standards for aircraft noise reduction, as well as developing procedures to limit or reduce greenhouse gas emissions from civil aviation. This

in turn will support contracting states and the air transport industry in achieving maximum compatibility between the safe and orderly development of civil aviation and the quality of the environment," said Dr. Assad Kotaite, president of the Council of ICAO.

On aircraft noise, CAEP endorsed a balanced approach to noise mitigation, consisting of four distinct, complementary elements: reduction of noise at the source; improved land use planning and control; a wider use of noise abatement operational procedures, and operating restrictions.

Specific CAEP recommendations in these four areas include: a new noise standard that is 10 decibels lower, on a cumulative basis, than the current Chapter 3 standards in Annex 16 to the Convention on International Civil Aviation, for new aircraft design, effective Jan. 1, 2006; procedures for re-certification of existing aircraft meeting the new standard; more stringent noise standards for helicopters; publication of guidance material on land-use planning, and a proposal for new takeoff noise abatement procedures.

CAEP also considered the question of operating restrictions on Chapter 3 aircraft but no final conclusion was reached.

On aircraft engine exhaust emissions, CAEP recommended: further development of the elements necessary for an emissions trading program for international aviation emissions, consistent with the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which recognizes ICAO as the global instrument for industrialized countries to pursue the limitation or reduction of greenhouse gas emissions from international aviation; additional work on voluntary mechanisms and the possible use of charges to address emissions, and including in the Global Air Navigation Plan a methodology for analyzing the environmental benefits of implementing communications, navigation, surveillance and air traffic management systems. This methodology is based on a model used in the U.S. and Europe.

News From Around The World

Air Canada announced that it has expanded its codeshare agreement with Star Alliance partner Lufthansa German Airlines to include flights to and from Russia. As of Jan. 18, Air Canada is offering its customers daily codeshare service on **Lufthansa** operated flights between Frankfurt and Moscow, as well as between Frankfurt and St. Petersburg.

Air France announced that December traffic was up more than 30 percent on its North Atlantic routes from December 1999, while capacity increased nearly 25 percent. Load factor increased to 75.9 percent, up 3.2 points over last year.

Japan and **China** have agreed to allow a 50 percent increase in flights between the two countries to meet growing demand on passenger and cargo routes. The agreement means that the equivalent of as many as 281 Boeing 280-seat 767 jets will be allowed to fly between the countries, up from the current 181. The agreement takes effect in April 2002, according to a statement.

Readers of the magazine *German Business Traveller* have once again selected **Frankfurt Airport** as the "Best Airport in Europe" and the "Best Airport in Germany." This year's awards are based on responses from about 3,500 readers of the Munich-based business travel publication. In the European comparison, Frankfurt Airport took first place again, followed by Amsterdam Schiphol Airport. In the international comparison, frequent flyers ranked Frankfurt among the top 10 airports in the world. Frankfurt placed number six after Singapore, Chicago, Hong Kong, Dubai and Atlanta airports and ahead of New York, Amsterdam, London and Paris airports.

Colombia's three major airlines said they are discussing a possible merger as they try to remain profitable. In a joint statement, the three companies—**Avianca**, **Sam** and **Aces**—said shareholders had signed a memorandum of understanding to study a merger within

the next 60 days. The new airline would have combined assets totaling \$700 million.

Mexico City International Airport this year will invest in a new parking lot, a new air terminal module, drainage system improvements and a variety of maintenance projects.

LanChile Airlines is introducing service from **New Orleans, Philadelphia and Baltimore** as part of its codeshare alliance with American Airlines.

Mexicana Airlines, in conjunction with its Star Alliance partner United Airlines, will be expanding its route network between the **U.S.** and **Mexico** this year. Through a codeshare alliance, Mexicana will offer over 300 additional daily flights to/from 68 gateways in the U.S. These flights will connect to Mexicana's key international gateways in the U.S., mainly through Los Angeles, San Francisco, Chicago and Denver.

BAA and **Eurotunnel** announced that they have reached a settlement of contractual issues relating to the operation of the retail facilities at Eurotunnel's Folkestone and Calais/Coquelles terminals. BAA will hand over the operation of the retail facilities in a staged process that will be fully complete by March 31.

The U.S. FAA announced that the **Bahamas** does not comply with international safety standards set by the International Civil Aviation Organization and downgraded the country from a Category 1 to a Category 2 status. The lower ranking means that carriers from the Bahamas will be permitted to continue operations to the U.S. at current levels only under heightened FAA surveillance.

Ryanair is expected to announce several new European destinations within the next six months, according to published reports.

China Southern Airlines announced Warm Heart 9000, the airline's new first class service that includes complementary airport limousine service in Guangzhou City. Other amenities include separate airport check-in

counters and advanced computerized check-in.

Mexican construction company ICA reportedly will sell an 11.5 percent stake in **Operador de Aeropuertos (OMA)**, which controls Grupo Aeroportuario Centro-Norte, to partner **Aeroports de Paris** for \$11.4 million.

LanChile subsidiary **Ladeco** has reached a collective agreement with its pilot union, whose contract was scheduled to expire March 31.

Varig Brazilian Airlines has boosted its shuttle service between Rio de Janeiro and Sao Paulo with the addition of 10 daily flights.

Sydney International Airport reported that 9.93 million passengers traveled through the facility in December, making it the airport's busiest month on record. December traffic marked an increase of 7.5 percent over the previous year.

The **Association of European Airlines** reported that traffic grew by 8 percent in the first nine months of 2000, with intra-Europe contributing a quarter of the total.

Continental Airlines and Delta Air Lines won the right to begin new air service to **Argentina**, the U.S. Transportation Department announced.

Canadian Customs officers are testing iris- and palm-scanning equipment to speed up checks of travelers entering the country at international airports. According to reports, tests of a palm scanner at **Vancouver International** have been successful and the device will be installed at major airports later this year.

The Airports Authority of India is reported to be almost ready to invite offers from private investors to lease the airports at **Mumbai, Delhi, Calcutta and Chennai** for a 30-year period.

The Netherlands has advanced its plans to privatize **Amsterdam's Schiphol Airport**, naming ABN Amro Rothschild and Credit Suisse First Boston as global coordinators for an initial public offering. No date was set for the sale.