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European Carriers Face Revenue Shortfall In 2001

European airlines, experiencing sharply decreasing load factors, are falling "well short of the break-even mark" for the year, according to Karl-Heinz Neumeister, secretary general of the Association of European Airlines (AEA).

Further, Neumeister said that the industry's future growth depends on appropriate infrastructure being in place. In particular, he said, airspace must be managed more efficiently and airlines must make "the most productive use" of their current capacity.

The AEA just released its annual report for the year 2000, which found that while last year was profitable for the airlines, it was so by the narrowest of margins. The estimated operating profit was \$100 million, or just 0.2 percent of total revenues.

Overall in 2000, passenger traffic for European carriers grew 7.7 percent. The North Atlantic, which registered 7.9 percent growth, out-performed Far Eastern routes, where the growth was a more modest 5 percent, AEA said.

Upcoming Events

Sept. 9-13...Calgary, Canada
Summer, Winter Integrated Field Technologies (SWIFT) Conference and IAAE Canada Annual General Meeting
Contact: Nancy Wiseman (403) 257-3402.

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

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

China Said To Plan To Add 43 More Airports

China will buy 400 planes and build 43 more airports over the next five years to accommodate a rising number of travelers, according to the Xinhua News Agency.

By 2005, the Civil Aviation Administration of China (CAAC) is expecting airlines to be carrying 100 million passengers a year.

The new airplanes and airports will raise the number of domestic airports to 172 and the number of planes owned by CAAC to 657. Twenty-three of the 43 new airports will be in the west.

Swissair, Belgium Reach Agreement Over Sabena

Swissair Group said that it has reached agreement with the Belgian government to release Swissair from an obligation to raise its ownership share in Sabena to 85 percent. Swissair now holds just under 50 percent of the Belgian carrier and the Belgian government owns the rest.

According to a statement from Swissair, the new agreement calls for it and the Belgian government together to invest \$367 million in Sabena over the next two years, with Swissair paying 60 percent of that amount.

The agreement also provides that Belgium will drop its lawsuit against Swissair.

Cape Verde Will Add Global Navigation Satellite System

The International Air Transport Association (IATA) and ASA, S.A., the airport and air navigation service provider in the Republic of Cape Verde, signed an agreement June 25 to implement Global Navigation Satellite System (GNSS) Procedures at eight airports in the island nation.

Pierre Jeannot, IATA director general and CEO, said "Given Cape Verde's strategic location, this project will also assist the reliability of overflying traffic crossing the Atlantic."

As part of the project, IATA and its partner, Innovative Solutions International, will be conducting geodetic (WGS-84) surveys, developing the procedures and publishing the respective charts, preparing draft regulations and conducting training of the aviation officials to ensure a smooth technology transfer. The first survey teams are to start work in July, with completion of the project expected by the end of the year.

The project will be financed partly by ASA and by the users of the airspace and will be similar to the project being conducted by IATA for the Southern African Development Community (SADC), which started in March. When completed later this year, the Cape Verde project will provide the eight airports with accurate GNSS arrival, approach and departure procedures.

Canada Considers Increase In Airline Ownership Limits

A Canadian transport panel on July 18 recommended an increase in foreign-ownership limits on Canada's airlines as a way to add competition to the domestic airline industry.

The Canada Transportation Act Review Panel also said Ottawa should promote a NAFTA-like alliance among Canada, the U.S. and Mexico to create a common civil aviation zone.

The report said foreign ownership limits on Canadian airlines should be lifted to 49 percent from the current 25 percent. That would give the carriers greater access to foreign funding for capital investment, the panel said. By setting the limit at under 50 percent, however, the panel said control of the

carriers would remain with Canadian companies.

The recommendations were among more than 90 covering Canada's air, rail, marine and road transportation sectors. Transport Minister David Collenette said the panel's report would serve as "one of the key building blocks in the development of a new transportation blueprint" for the country.

Mexico Said To Consider New International Airport

Mexico City will have a new international airport before the end of the administration of President Vicente Fox in 2006, according to published reports.

The administration currently is in the final stages of selecting a new location for the facility, the reports said. Possibilities include Texcoco, 35 kilometers from Mexico City, and Tizayuca, 85 kilometers north of the city.

Fraport, Schiphol Form Airport Technology Partnership

Fraport AG Frankfurt Airport Services Worldwide and Schiphol Group have formed a joint venture to promote information and communications technology (ICT) for airports.

The partners recently signed a shareholders agreement for establishing Pantares Systems B.V. under Dutch law with headquarters at Amsterdam Airport Schiphol.

Pantares Systems will serve the information and communication technology (ICT) needs of subsidiaries and associated airports of the Pantares partners.

In addition, Pantares Systems will offer ICT consultancy, solutions, services and operations to other customers in the air transport industry around the globe.

Lufthansa Pilots Accept Contract Settlement

Lufthansa pilots have accepted a contract settlement offer that includes a 28.7 percent wage increase in the first year.

In the second year of the contract, pilots are to receive a 2.8 percent raise,

plus an additional pay hike based on settlements in other German industries and another bonus based on company profits. The third year's raises will be based solely on average industry payment settlements and profits.

The settlement followed contentious pilot-management confrontations in May, which included two brief strikes that cost the carrier more than \$20 million.

Air Canada To Launch Low-Fare Operation

Air Canada and Skyservice announced that they would not proceed with plans for a strategic partnership.

Terms of an agreement reached July 20 between Air Canada and the Air Canada Pilots Association (ACPA) on the start up of a low-fare carrier precludes a partnership with Skyservice as proposed, according to a statement from Air Canada.

"Today's difficult economic climate with the resulting decline in our traditionally strong business travel market makes it more important than ever that we participate in the one growing and vibrant airline segment in North America," said Robert Milton, Air Canada president and CEO. "The agreement with ACPA enables Air Canada to compete in the discount market with the full involvement and cooperation of our pilots. It is because of the vital importance of our relationship with our pilots that we have elected not to proceed with the proposed strategic partnership with Skyservice. While that partnership clearly would have provided us with tremendous business opportunities, the support of our pilots is key to ensuring Air Canada's success."

The agreement between Air Canada and ACPA on the low-fare carrier provides for an operation of up to 20 aircraft with more flexible terms and working conditions. "We will explore with Skyservice opportunities for the provision of third party services such as those currently undertaken for other carriers," Milton said.

Air Canada's low-fare carrier will be launched later this year. No further details on the operation were made available.

All Nippon To Resume Malaysia Service

All Nippon Airways (ANA) confirmed it will resume flights to Malaysia this month, four months after suspending service.

ANA, which halted flights between Kuala Lumpur and Osaka in March following losses, will resume flights three times a week between Tokyo and Kuala Lumpur via Bangkok.

ANA will start direct flights between Tokyo and Kuala Lumpur next May once the second runway at Tokyo's Narita Airport becomes operational.

Slovakia Awards ATC Contract To Nice Systems

Slovak Republic Air Traffic Services said it has selected the Nice Systems' NiceLog digital voice recording system for its air traffic control (ATC) centers in Slovakia.

The system is being installed at seven sites in Slovakia and includes the ability to diagnose and resolve problems from a central location in Bratislava using the SNMP protocol.

British European Air To Add 12 Regional Jets In Expansion

U.K. regional airline British European

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will proceed with a \$600 million-plus order for 12 Avro RJX-100 regional jets with deliveries to begin in April 2002.

Options on eight more of the 100-seat aircraft also have been confirmed. In September this year it will add four new 78-seat Dash Q800 planes to its Bombardier Quiet Turboprop fleet.

When the new jets come on stream some will carry the Air France livery on codeshare routes between the U.K. and France. The two carriers begin a strengthened codeshare arrangement next month.

EC Fines SAS, Maersk Air For Monopoly Agreement

The European Commission said on July 20 that it had fined SAS and the Danish airline Maersk Air A/S for operating a secret agreement that gave SAS the monopoly of the route between Copenhagen, Denmark and Stockholm, Sweden.

The commission said it found evidence suggesting that the companies had agreed to a secret clause not to compete in connection with a code-sharing deal. The secret clause meant that Maersk Air agreed not to launch any new international routes from Copenhagen without approval from SAS while SAS agreed not to operate on Maersk Air routes out of Billund Airport, Denmark.

In addition, the European Commission found that the airlines had agreed that Maersk Air would cease competing with SAS on the Copenhagen-Stockholm route in return for which SAS would stop operating between Copenhagen and Venice, Italy and between Billund and Frankfurt, Germany.

The European Commission explained that, "This secret agreement between SAS and Maersk Air is a very serious violation of European Union competition law and very damaging for Scandinavian passengers which were left with reduced choice or no choice at all, and potentially higher prices.

Before the agreement, the Copenhagen-Stockholm route was operated by SAS, Maersk Air and Finnair. Maersk's withdrawal from the

Airports/Tourism Meeting Set For Sept. 30 In Croatia

The U.S. Department of Commerce Tourism Industries Office and AAE will sponsor the U.S./Europe/Canada Airports and Tourism Development workshop Sept. 30-Oct. 3, 2001, in Dubrovnik, Croatia. This meeting will bring together airports from around the globe with tourism businesses and authorities to examine ways of working together to promote development.

The U.S.-European travel market is one of the richest in the world. Visitors coming from Europe to the U.S. last year spent \$34.8 billion on travel and passenger fares, while U.S. travelers spent \$37.5 billion in Europe. To see the latest U.S. Department of Commerce data on U.S./European travel, go to the Tourism Industries Office website at: www.tinet.ita.doc.gov/outreachpages/index.html. Click on the Eastern and Western Europe links and view the Commerce Department's latest analyses of the European inbound market.

Croatia Airlines, Dubrovnik Airport, the U.S. Embassy-Croatia, AAE, the International Association of Airport Executives and U.S. Department of Commerce Tourism Industries Office are co-sponsoring the workshop, which is a follow-up to the airports and tourism workshops held in Budapest, Hungary, in 1999 and in Krakow, Poland, in 1998.

The workshop will offer detailed presentations and case studies that both airports and tourism industry businesses can learn from in order to increase the flow of tourism dollars to their regions. Speakers will include prominent officials from various airports, airlines, federal government agencies and tourism organizations throughout Europe and the U.S.

Sessions also will address the importance of effective marketing and public relations programs at airports and how European airlines evaluate the market potential for European destinations.

To view the four-page conference brochure, which includes a preliminary agenda and other details, go to the AAE website at: www.airportnet.org/depts/meetings/calendar/calpub.htm#sep2 and scroll to the Sept. 30 - Oct. 3 meeting description and links. The registration fee for the conference is U.S. \$435. The workshop will begin with a reception at 6:30 p.m. on Sunday, Sept. 30, and end at noon on Wednesday, Oct. 3.

For further information, contact Spencer Dickerson at (703) 824-0500, Ext. 130, or e-mail spencer.dickerson@airportnet.org.

route caused the exit of Finnair, as the two airlines previously had a code-sharing agreement. Currently, SAS has close to 100 percent of the traffic between the Danish and the Swedish capitals."

American, Vietnam Airlines Sign Marketing Agreement

The chief executives of American Airlines and Vietnam Airlines signed a marketing agreement to link their route networks.

The airlines said they expect to begin codesharing on each other's flights next year once they have received government approvals and have worked out operational details.

"We are pleased to have this mutually

beneficial opportunity to work with Vietnam Airlines as its U.S. partner," said Don Carty, American's chairman and chief executive officer. "We look forward to building our relationship with Vietnam Airlines and are eager to start serving the growing U.S.-Vietnam market."

"Our alliance with American Airlines is an excellent example of how U.S. and Vietnamese companies can work together to expand commercial activity between our countries," said Hien Xuan Nguyen, Vietnam Airlines' president and chief executive officer.

The two companies announced their alliance as the U.S. Congress considers a trade agreement that provides for normalized trade relations between the U.S. and Vietnam.

News From Around The World

The Connect Consortium—comprising ABN AMRO Bank, Challenger, Egis, Fraport AG Frankfurt Airport Services Worldwide and Schiphol Group—delivered an “indicative bid” to the government of Australia for the 100 percent privatization of Sydney Kingsford Smith Airport, according to reports.

Singapore Airlines signed a firm contract for 10 A380-800s. Singapore Airlines will be the first airline in the world to operate the 555-seat A380, with the delivery of the first aircraft scheduled for the first quarter of 2006. Subsequent deliveries of the firm-order aircraft will continue through to 2007. The airline will fly the A380 on high-density routes to New York, Los Angeles, San Francisco, London, Tokyo, Hong Kong and Sydney.

Passenger traffic at Amsterdam’s Schiphol Airport rose 3.9 percent in the first half of this year. Passenger traffic in Europe, which makes up about two-thirds of total traffic at the airport, rose 4 percent in the period, while Latin America, Africa and Asia showed growth of 8 percent, 9 percent and 5 percent respectively. Traffic to North America fell 1 percent, while the Middle East showed a 2 percent decline.

Work on the third phase of Edmonton (Canada) International’s terminal redevelopment is scheduled to begin Aug. 1. The Central Hall, scheduled for completion is spring 2003, will also provide the first commuter concourse at a Canadian airport. The concourse, designed specifically for short-haul regional aircraft, will have six gates with room to expand to ten. Also housed in the hall will be shops, restaurants, centralized security and ground transportation services.

Delta Air Lines and British European announced they have signed a marketing agreement to pursue joint cooperation in marketing and other services. The agreement includes providing codeshare service on British European flights to markets beyond London

Gatwick. Initially, the two carriers plan to implement service to Jersey, Guernsey and Northern Ireland (Belfast). The two carriers plan service to begin Sept. 1.

The U.S. Transportation Department has denied a request by Continental Airlines to delay for one year the start of service to Argentina. A Transportation Department official said the agency would take new applications for the seven roundtrip weekly flights.

BAA plc announced that its seven U.K. airports handled a total of 11.8 million passengers in June, an increase of 3.4 percent on the same month last year, showing an upturn after four months of minimal growth, as the impact of foot and mouth disease begins to decline. European scheduled traffic, which grew by only 2.6 percent in May, was up by 6.5 percent in June and long-haul traffic reversed a 3.5 percent drop in May to an increase of 2.6 percent in June. The other major markets all returned positive growth with domestic traffic up 4.2 percent, Irish up 1.4 percent and European charters growing 4 percent. The recent decline in North Atlantic traffic was reduced from minus 10.5 percent in May to minus 2.9 percent in June.

Air Canada and IBM announced a seven-year, \$908 million strategic partnership to e-enable the airline, enhance customer service and develop future solutions based on an IT infrastructure that will benefit both Air Canada and other airlines around the world. As a result of this agreement, the largest IBM airline services agreement worldwide, Air Canada expects to save approximately \$130 million in information technology costs over the term of the contract.

Argentina’s government is being urged to buy back the national airline Aerolineas Argentinas, which has cut back on a number of routes due to financial troubles. The Spanish state holding company, SEPI, which controls Aerolineas Argentinas, said it wants to examine the offers before deciding to go ahead with a sale or file for bankruptcy.

A fifth terminal at London’s Heathrow Airport is likely to be approved by the U.K. government but a new environmental problem over the building will delay an announcement until September, according to published reports. Tests for potential flooding to areas surrounding the terminal site are to be carried out by the airport management company BAA after warnings from environmental critics.

The Malaysian government was reported to have agreed to sell a 30 percent stake in Malaysia Airports Holdings to the Schiphol Group. The Amsterdam-based company said earlier in July that it was interested in Malaysia Airports.

The number of passengers using Tokyo’s Narita Airport will grow by as much as 77 percent to reach 46 million people in the 15 years from March 2000. This compares with a projected 65 percent gain in capacity, according to a government report on Tokyo’s public facilities. Narita accounts for 52 percent of Japan’s international flights.

The Airport Authority of Hong Kong announced an upgrade of terminal facilities and services at Hong Kong International Airport, with plans to add coffee counters, showers and napping area, mini-cinema and massage facilities. Further, within the next three years, the airport will add new shops, restaurants, cafes and other attractions. The authority also will launch various web-based passenger services, including personalized flight information via e-mail, advanced orders for retail merchandise and restaurant reservations.

Continental Airlines said it will resume a second daily nonstop flight between New York and Tel Aviv starting in May 2002, a year and a half after it cut the extra flight due to the effects on business of a Palestinian revolt. Barry Simon, the airline’s international senior vice president, said the carrier was reinstating the flight in response to strong customer demand.