

# INTERNATIONAL AIRPORT REPORT

Volume 9 Number 11

November 2001

## **U.K. Aviation Authority Proposes New Airport Charges**

The U.K. Civil Aviation Authority (CAA) has published its mandatory five-year review of airport charges at Heathrow, Gatwick, Stansted and Manchester airports.

The CAA proposed changes to the regulatory regime that it said will strengthen incentives for new infrastructure investment and introduce measures to improve service quality, such as reducing flight delays that are attributable to the airports.

The CAA proposed changes to the regulatory regime that it said will strengthen incentives for new infrastructure investment and introduce measures to improve service quality, such as reducing flight delays that are attributable to the airports.

At Stansted and Manchester, which are less congested, a more flexible price cap is proposed to protect airlines and customers while allowing the airports to develop with minimum regulatory restrictions, CAA said. The authority said Stansted's asset base will no longer be cross-subsidized from charges at Heathrow and Gatwick.

The proposals will allow Heathrow and Gatwick to increase charges in real terms to airlines relative to the current so-called "single till" approach that has been used in the past, the CAA said. The authority said "price increases need to be permitted to secure greater investment and improve the efficient use of existing capacity."

The CAA also plans an end to the current system by which airports can automatically pass additional security costs on to the airlines. The final price caps will reflect expected airport costs in this area, including those arising as a result of the Sept. 11 terrorist attacks in the U.S.

The authority said where its proposals result in higher airport charges, "We do not believe that this will result in higher air fares. At the congested airports, fares are determined by available airline capacity and this is not adversely affected by these proposals."

The authority set Jan. 2, 2002, as the

deadline for responses to the pricing proposals. The final ruling will be completed by the end of February, the CAA added, and the new price caps will take effect in April 2003.

BAA plc, which operates seven U.K. airports, said the proposals "address directly the need for airport charges to be set at a level which encourages investment in airports to meet the nation's needs."

## **AAAE Salzburg Workshop Draws Global Audience**

Over 120 airport and other aviation industry officials from a record 21 different countries, including representatives from FAA and Commerce Department headquarters in Washington, D.C., and U.S. embassy officials, participated in the 7<sup>th</sup> Annual Central Europe/U.S. Airport Infrastructure and Management Workshop and Trade Mission, held Nov. 4-7 in Salzburg, Austria.

The workshop was sponsored by the U.S. Department of Commerce, the U.S. Embassy-Austria, the U.S. FAA, Salzburg Airport W.A. Mozart, Austrian Airlines, Lufthansa Airlines, Metropolitan Washington Airports Authority, Memphis Shelby County Airport Authority, ADT Security Systems, The LPA Group Inc., Wiggins Group PLC, Theofinance, Dillon, Hall & Lungershausen, Airport Consulting Vienna, Frequentis, InVision Technologies, L-3 Communications Security Systems, Association of Austrian Airports, PB Aviation, McGraw Hill (Aviation Week newsletters), the American Association of Airport Executives (AAAE) and the International Association of Airport Executives (IAAE).

Leading the IAAE delegation were James Koslosky, A.A.E., director of the Kent County (Mich.) Department of Aeronautics and chair of AAAE; James Bennett, A.A.E., executive vice presi-

dent and chief operating officer of the Metropolitan Washington Airports Authority and chair of the International Association of Airport Executives; the Honorable Carol Carmody, vice chair of the National Transportation Safety Board (NRSB), and James Hall, former NTSB chair.

Prominent European representatives were Anton Bucek, chairman of Salzburg Airport W.A. Mozart, and Daniel Weygandt, charge d'affaires for the U.S. Embassy-Austria.

Speakers included Josef Hackl, senior advisor, Austrian Ministry of Transport; Gene Harris, senior commercial officer, European Bank for Reconstruction and Development, and Paul Paflik, head-airline cooperations, Austrian Airlines.

Among the topics discussed were aviation safety/security and air traffic control modernization and challenges in Europe and the U.S.; global airport public/private sector partnership programs; European and U.S. risk management trends; crisis management and lessons learned from the U.S. military, airport infrastructure and aircraft noise case studies, and the future of regional airports in Europe. A special presentation also was made on "Aviation Terrorism: Readiness, Response and Recovery in the 21<sup>st</sup> Century," by Dr. Francis Spranza, general director of Spranza International.

## **Hong Kong Airport Authority Unveils Development Plans**

The Hong Kong Airport Authority unveiled plans for further developing Hong Kong International Airport to meet its ultimate design capacity of 87 million passengers and nine million tons of cargo annually around 2020.

Authority Chief Executive Officer Dr. David J. Pang said, "Though the airport is only three years old, we are very optimistic about its future. We expect

passenger and cargo throughput to grow on average by 5 percent and 6 percent annually over the coming years. This plan is the road map that will ensure necessary facilities and services are provided in time."

Last year the airport handled 33.4 million passengers, 2.24 million tons of cargo and 186,000 aircraft movements.

The master plan includes:

- Expansion and enhancement of the passenger terminal building so as to meet its final capacity;
- Development of an elongated "X" shaped satellite concourse in the midfield area with additional aircraft parking;
- Implementation of a cargo development strategy to position Hong Kong as an express cargo transshipment hub as well as a general air cargo center;
- Development of off-airport logistics parks on North Lantau to enhance Hong Kong's position as a regional logistics and supply-chain management center;
- Enhanced accessibility through direct and efficient air, land, and sea links between Hong Kong International and the mainland of China, in particular the Pearl River Delta; and
- Development of the SkyCity, including an exhibition center and a trade mart to pull through the high value passenger traffic to Hong Kong.

The master plan envisages further development of the existing passenger terminal building to provide eventual capacity for 61 million passengers annually. The addition of a satellite concourse will bring total capacity to 87 million passengers. This satellite concourse, to be built in the airport's midfield area, will provide 59 stands for passenger aircraft, many capable of handling future larger aircraft. The total number of passenger aircraft stands will increase to 134.

### **World Economic Conditions Impact Lufthansa's Earnings**

Lufthansa reported that its earnings fell 90 percent for the first nine months of the year, due to the twin effects of the Sept. 11 terrorist attacks in the U.S. and the depressed world economy.

Net profit for the January-September period fell to 65 million euros from 672

million euros a year ago. The carrier's revenue rose to 12.3 billion euros from 10.8 billion euros a year ago.

"Business developments at the group were gravely affected by the worldwide economic downturn and the effect of the terrorist attacks in the United States," the company said. "Lufthansa is having to contend with a steep decline in demand accompanied by rising costs."

### **Moody's Investors Places JAL Ratings On Review**

Moody's Investors Service has placed the Baa3 senior unsecured long term ratings of Japan Airlines on review for possible downgrade. At the same time, the B2 issuer rating of Japan Air System was placed on review for possible upgrade.

Moody's said the ratings actions are in response to the announcement on Nov. 12 that JAL and JAS will jointly establish a holding company by September 2002. JAL and JAS will fully integrate operations by April 2004, with separate divisions focusing on international routes, domestic routes and cargo services.

Moody's said its review will focus on the new organization structures; the impact of the integration on the new company's operating franchises and cost competitiveness; and its fundamental credit profile and financial flexibility. Moody's will also assess the ability of the new entity to protect its relative competitive position vis-a-vis other airlines, and the outlook for the industry's operating fundamentals following the terrorist attacks in the United States. Moody's said that it will also analyze the debt structures of the new entity, in terms of whether the debt will reside in the international, domestic or cargo services divisions under the new scheme.

### **British Airways To Consider More Changes In Strategy**

The British Airways board is expected to consider recommendations in January that could downsize the carrier even more in response to sluggish international air traffic levels.

Carrier CEO Rod Eddington named a

five-member panel to review the airline's operations and make recommendations.

BA in late September said it would furlough 7,000 employees and shrink capacity by 10 per cent.

The main focus of the new review is to be BA's European operations.

### **Carriers Announce Set-up Of Cargo Joint Venture Operation**

Air France, Delta Air Lines and Korean Air announced the opening of the U.S. Cargo Sales Joint Venture world headquarters in Atlanta, Ga. Participating in the event were Air France chairman and chief executive officer Jean-Cyril Spinetta, Delta President and CEO Frederick Reid and Korean Air chairman and chief executive officer Yang-Ho Cho.

"The opening of the Joint Venture headquarters brings Air France, Delta and Korean Air together even more as a team," said U.S. Cargo Sales Joint Venture CEO Bernard Frattini. "We are well on our way to changing the face of the cargo industry, and offering our customers a truly global product for their logistical needs."

The joint venture headquarters is located in a building adjacent to Atlanta Hartsfield International Airport. The 11,000-square-foot office features a cargo reservations call center, and is staffed by an international team of 56

---

## 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.

---

people, including the joint venture officers and finance, human resources, revenue management, marketing and technical support.

The joint venture will have branches in 14 locations throughout the United States, and regional offices in Atlanta, New York, Chicago and Los Angeles.

The company is equally owned by Air France, Delta and Korean Air, and governed by a joint board of directors. It is scheduled to begin full operations in January 2002.

### **Qantas To Reduce Staff To Meet International Downturn**

Qantas said that it would cut between 1,500 and 2,000 jobs by December and eliminate flights to New York on Nov. 25.

The airline said the jobs losses are the result of the sharp and continuing deterioration in the aviation market following the Sept. 11 terrorist attacks in the United States.

Qantas chief executive Geoff Dixon said the reductions in staff would take place before the end of December and would be achieved by redundancies, attrition and by not filling budgeted vacancies.

Dixon said the airline would cut a number of overseas flights and planned "substantial changes to domestic product offerings."

Dixon said a range of initiatives would be introduced immediately to meet the market downturn. Further, he said Qantas would make reductions to its international flying.

In addition to the reduction in services, Qantas will retire its fleet of five 747-200 aircraft in April next year. The aircraft originally were scheduled to be phased out in late 2003.

### **Fraport AG To Acquire Shares Of ICTS Europe**

Fraport AG and ICTS said that they have started negotiations for Fraport to acquire the remaining 55 percent of ICTS Europe's shares. Earlier this year, Fraport had already purchased 45 percent of ICTS' shares.

This move will give Fraport a platform for providing aviation security services as an integral part of its overall airport management services, the company said.

Fraport and ICTS said they would cooperate in developing and introducing technologies to the aviation security market.

### **Emirates Airlines Posts Profit, Places Sizeable Aircraft Order**

Emirates Airlines posted half-yearly profits of \$46 million compared with \$45 million during the same period last year.

The news follows Emirates' largest-ever aircraft order at the recent Dubai 2001 Air Show, valued at \$15 billion. The total order for the super-jumbo Airbus A380, A340-600, A330-200 and Boeing 777 aircraft, will boost Emirates' fleet to 100 aircraft by the year 2010.

Emirates' Chairman, HH Sheikh Ahmed bin Saeed Al-Maktoum, commented: "We are very pleased to announce half-yearly profits at a time when confidence in the airline industry has been shaken by the recent tragic events in the US, and by the earlier global air traffic shortfall.

"Our focus now is to maintain a strict regime of cost management across the company to ensure that our results at the end of this financial year will continue to return a profit."

For the next six months, Emirates is employing various cost control measures, including a moratorium on staff recruitment. The airline continues to operate to all its destinations.

### **InVision Technologies Reports Major Orders**

InVision Technologies Inc. said it has received several orders totaling \$6.1 million for its CTX explosives detection systems (EDS) from France, Italy and the United States.

The order from France is for InVision's CTX 2500 and CTX 9000 DSi systems. The order was placed under two previously announced existing

three-year contracts with the French Service Technique des Bases Aeriennes (STBA).

The order from Venice, Italy, is for a CTX 5500 DS EDS. This is a new contract with the Societa Aeroporto di Venezia Marco Polo S.p.A. (SAVE), the agency licensed on behalf of the ministry of transport to modernize the Venice Airport. The CTX system will be integrated into the Venice airport baggage handling system.

The Jacksonville (Fla.) Airport Authority placed an order for two CTX 9000 DSi systems to be installed in Jacksonville International Airport. This contract is independent of FAA orders with InVision, the company said.

### **Finnair Announces Agreement On Cost-cutting Program**

Finnair announced Nov. 19 that it had reached an agreement with five of its unions on ways to achieve savings in personnel expenses.

The parties in the negotiation included unions representing office workers, technical workers, pilots, engineers and managers.

Agreed savings targets include, among others, holiday and incentive bonuses for the year 2002 and general pay increases previously agreed in collective labor agreements.

With these measures, four-week layoffs discussed in the negotiations can be avoided or considerably shortened, the carrier said.

The aim of the agreement is to carry out the savings without weakening the level of service.

### **Branson Considers Sale Of Majority Stake In Virgin Blue**

Sir Richard Branson is considering the sale of a majority stake in his Australian airline, Virgin Blue, according to published reports quoting the company's chief executive, Brett Godfrey. Virgin Blue had already indicated that a 49 percent stake in the carrier was for sale, but it had not previously expressed a willingness to give up control.

## News From Around The World

The U.S. Federal Aviation Administration announced that the Bahamas complies with international safety standards set by the International Civil Aviation Organization (ICAO), and gave the country a Category 1 rating following a reassessment of the country's civil aviation authority in October. The **Bahamas** previously did not comply with ICAO standards, FAA said. The agency's announcement is part of the FAA's International Aviation Safety Assessment program, under which the agency assesses the civil aviation authorities of all countries with air carriers that operate to the United States, and makes that information available to the public.

**Canada** and **Brazil** agreed to begin negotiations to end a dispute over subsidies to their regional jet manufacturers. The battle over Brazilian subsidies to manufacturer Embraer, and similar grants by Canada to Bombardier, has been waged several times at the World Trade Organization as each country retaliated against the other in an attempt to gain advantage in the lucrative RJ market.

Copa Airlines of **Panama** has launched its new in-flight magazine, "Panorama of the Americas," which will appear early in 2002. The publication will be available to passengers on all Copa Airlines flights and in Panama's Presidents Club. Panorama will feature sections on art, books, frequent flyers and news of Panama, among other features.

**Varig Brazilian Airlines** announced that it will resume its nonstop service between Miami and Rio de Janeiro in December. The carrier had temporarily withdrawn from the nonstop market in November, a traditionally slower period for air traffic preceding the year-end holiday season.

SkyTeam carriers **Delta** and **Alitalia** on Nov. 16 began codesharing on 11 nonstop transatlantic flights. By Dec. 1 the carriers said they will offer passengers codeshare service on more than 500

flights including flights beyond the hubs of both carriers.

**Thai Airways** said it is closing seven offices in the US and Canada effective immediately, due to a decline in traffic following the Sept. 11 terrorist attacks in the U.S. The offices being shut are in Seattle, San Francisco, Dallas, Chicago, Washington D.C., New York and Toronto. Thai Airways will continue to operate its Los Angeles office. Effective Nov. 21, the airline will cut one of its seven weekly flights from Bangkok to Los Angeles via Japan.

**Northwest Airlines** and **Malev Hungarian Airlines** said they have signed a code share and frequent flyer program agreement, which is effective immediately.

Go, the British regional low-fare airline, said it posted a steep rise in first half profits following a route expansion. The airline reported that earnings during the first half of the year rose 51 percent over the same period last year, to 16.9 million pounds from 11.2 million pounds. Go, which flies within **Britain** and continental **Europe**, carried 2.1 million people in the six-month period, up 41 percent, after increasing the number of planes and routes it operates.

British Airways announced the successful transfer of its core passenger services systems from Heathrow to the Amadeus Data Processing Centre in **Germany**. The transition of British Airways systems from **Heathrow** to Germany is part of the strategic partnership between the airline and Amadeus, announced in August 2000. Under the deal, Amadeus took over the management of many of British Airways' commercial and operational systems in London and undertook to transfer them to its data center at Erding near Munich.

Boeing said its engineers have released 50 percent of the design for the first of its two Longer-Range 777s, the 777-300ER (extended range) airplane. This means that half of the detailed design has been defined and handed over to Boeing factories and suppliers for the

building of parts, assemblies and tools for the new airplane, the company said.

**Nav Canada** announced its revenues for the fiscal year ended Aug. 31 were \$916 million, derived primarily from customer service charges. Total operating expenses for the year were \$717 million, including salaries and benefits of \$511 million. Non-operating expenses, including interest, depreciation and amortization amounted to \$199 million. This resulted in a breakeven position for the year compared to an excess of revenue over expenses of \$2 million for the previous year.

Air France on Nov. 7 resumed its **Paris-New York** Concorde service, with five weekly flights.

Bombardier Aerospace announced the sale of three 50-passenger Q300 turboprop airliners to **Australia's Qantas Airways**. The announcement includes a previously unannounced order for one Bombardier Q300 placed by Qantas in July, and a further order for two aircraft placed in November. Value of the three aircraft order is \$43.9 million U.S.

Continental Airlines announced it will operate nonstop, Saturday service to **Nassau, Bahamas**, from Houston Bush Intercontinental Airport and Cleveland Hopkins International Airport, beginning Dec. 22.

Cathay Pacific Airways opened The Pier, its new lounge at **Hong Kong International Airport**. The Pier offers a number of features, including a juice bar, day-break Rooms, three bars and two restaurants, 60 broadband-connected computers and a wireless LAN for connecting with laptop computers. The Pier covers 3,900 square meters and is the airline's second lounge at the airport.

CHC Helicopter Corp. said that its unionized **U.K. pilots** voted to accept contract terms recently negotiated with the British Air Line Pilots Association (BALPA). With this acceptance, CHC and its unionized pilots have a 38-month agreement covering the period May 1, 2002, to June 30, 2005.