

INTERNATIONAL AIRPORT REPORT

Volume 9 Number 12

December 2001

Canada Unveils Plan For Heightened Aviation Security

Canadian Transport Minister David Collette has outlined details of the wide-ranging air security initiatives contained in the government's proposed budget

The government of Canada plans to:

- create, through legislation, a new Canadian Air Transport Security Authority responsible for the provision of key air security services. The authority will be a federal entity and will report to the minister of transport.

- enhance pre-board screening at Canadian airports and provide new annual funding of up to \$128 million per year. This new funding represents a 78 per cent increase over the airlines' expenditures last year for pre-board screening. In addition, the government will provide up to \$10 million this fiscal year to implement immediate improvements to airport screening practices.

- contribute over \$1 billion over the

Upcoming Events

July 21-24...Milan, Italy...AAAE/IAAE/Aeroport Milano Airport Security Workshop

October 6-9... Marrakech, Morocco... U.S. Trade and Development Agency/ U.S. Department of Commerce/FAA/AAAE/IAAE North Africa/Middle East/ U.S. Airport Infrastructure/Safety/ Security Workshop and Trade Mission

November 10-13...Location TBD...U.S. Trade and Development Agency/U.S. Department of Commerce/FAA/AAAE/IAAE Central Europe/U.S. Airport Infrastructure/Safety/Security Workshop and Trade Mission

next five years for the purchase, deployment and operation of advanced explosives detection systems (EDS) at airports across the country, covering 99 per cent of all air passengers.

- effective immediately, expand the program of armed police on aircraft that has already been initiated on flights to Washington Reagan National Airport, to cover selected domestic and international flights.

- develop new standards and regulations for security improvements to aircraft design, and provide up to \$35 million to assist with modifications to existing aircraft.

- make annual contributions for costs associated with aviation security-related policing at major airports and make one-time payments totaling a maximum of \$20 million this year for heightened policing and security at airports resulting from the terrorists attacks in the United States.

- fund further significant increases to Transport Canada staffing associated with aviation security functions, including hiring new inspectors to provide increased oversight of aviation security.

"Canada has one of the safest and most secure air transportation systems in the world; a system which is now even safer thanks to the actions taken by the government of Canada and the aviation community since the tragic terrorist acts of Sept. 11," said Collette. "The comprehensive and far-reaching initiatives announced in the budget will ensure we can maintain and improve on that record in the months and years to come.

"With the creation of a new Canadian Air Transport Security Authority, we will have the benefits of flexibility, private sector involvement and sensitivity to local needs under a federal government institution, accountable to the minister of transport. The authority will ensure

personnel certification, quality service and national consistency in security services."

In addition, Collette announced that all passengers on Canadian flights will be subject to new limits on carry-on baggage, and that all passengers on flights bound for the U.S. will be subject to random secondary searches at the departure gate prior to boarding the aircraft and their checked luggage subject to random hand searches at check-in.

Air Canada said it welcomed the federal government's announcement of aviation security measures.

"We commend the federal government for undertaking these vital and necessary security initiatives," said Robert Milton, airline president and CEO. "In particular, we fully support the creation of a federal air security authority, the implementation of a Canadian Sky Marshal program, the enhancement of passenger and baggage screening at airports and the provision of funding for the permanent reinforcement of cockpit doors.

"As we study the details of the security measures contained in the 2001 budget over the coming days, we look forward to working with the federal government in the implementation of these important initiatives," Milton said.

The Air Canada Component of CUPE, representing 8,500 cabin personnel across the country, also called the security proposals a step in the right direction.

The union welcomes the recognition of the federal government of the need to enhance airport security but it is unclear who will be responsible, President Pamela Sachs said. "We need to see the details of how this new federal authority will function," she said.

Sachs said the union recommended that the agency come under the authority of the Department of Justice or the

Solicitor General. She questioned the plan to use armed sky marshals on some passenger jets. Sachs said the weapons used by these carefully trained personnel must be non-lethal and not destructive to the aircraft. "We don't want cowboys on board," Sachs said.

The union has presented the government with its own 54-point plan on airport and aircraft safety.

ICAO To Convene Top-Level Security Conference

The International Civil Aviation Organization (ICAO) said it will convene a high-level conference Feb. 19-20 in Montreal aimed at improving air safety following the Sept. 11 terrorist attacks.

Transportation ministers from around the world will gather to review existing safety regulations and seek spending commitments from governments, international organizations and the airline industry to implement further measures considered necessary, according to a statement from ICAO.

The conference "will consider the issue of restoration of confidence in air travel and restoration of health to the air transport industry," Assad Kotaite, president of the ICAO governing council, said.

Bombardier Launches Flexjet Asia Operation

Bombardier Aerospace announced the launch of Bombardier Flexjet Asia, a charter network that will facilitate access to business jets based in Asia and expand the company's worldwide portfolio of business jet solutions.

"Bombardier has a strong position in Asia, having been the long-time market leader," stated Peter Edwards, president, Bombardier Business Aircraft. "Our charter network, which will offer executives and government officials a first-rate, reliable and straightforward travel solution in Asia, exemplifies our leadership and commitment to this market."

Bombardier Flexjet Asia will leverage technology pioneered by Bombardier Skyjet, the company's

North American on-line charter provider. Information about the availability of Bombardier-built business jets in the region will be consolidated at the network's hubs in Hong Kong and Washington, D.C. The operators in the database, along with their aircraft and pilots, will undergo audits conducted by independent third parties, the company said.

Bombardier Aerospace confirmed that Shandong Airlines Rainbow Jet Co. Ltd., Subic International Air Charter Inc. and Jet Asia Limited have agreed to be selected as launch operators.

Moody's Lowers Rating On Santiago, Chile Airport Bonds

Moody's Investors Service said it has revised the rating of the \$213 million in bonds of SCL Terminal Aereo Santiago International Airport to Ba1 from Baa2 reflecting uncertainties over the financial and operational impacts of the economic recession, airline industry downturn and the effects of the September 11th terrorist attacks in the U.S.

Santiago International Airport is the largest airport in Chile and the nation's principal international gateway and domestic hub.

While year 2001 passengers at the airport are projected to be 5.9 million, slightly higher than the 5.8 million in 2000, they are roughly 21 percent below where they were projected to be in the base case scenario when the debt was sold, Moody's said. The key factors for the lowered passenger numbers are the reduction in airline operations, the effects of the recession in Chile and the exchange rate. International traffic, which comprises roughly 30 percent of the passenger base is down 15 percent. More puzzling is the 14 percent drop in domestic traffic, Moody's said. Airport officials are currently projecting 5.8 million passengers in 2002 with international traffic off by 7.5 percent and domestic traffic increasing by 5 percent.

Moody's said the Ba1 rating reflects the uncertainty over the effects of the economic trends and the airline industry. The company is projecting very close financial margins and if passenger growth should not materialize it is not

clear that debt service would be met absent tapping reserve funds, Moody's said.

The outlook on the current rating is negative, reflecting the uncertain duration of the depressed passenger traffic and the financial impact compared to the base case scenarios, Moody's said.

Malev To Use New Planes For Europe, Middle East Routes

Malev Hungarian Airlines has signed a contract with International Lease Finance Corp. (ILFC) to lease its first Boeing Next-Generation 737s. They will be the first Next-Generation 737s to operate out of Hungary.

The contract, which was signed Nov. 22, consists of a combination of 10 firm 737-600s, -700s and -800s, with options for six more. The airplanes, which are scheduled for delivery beginning in February 2003, will be used mainly on routes in Europe and the Middle East.

Mexican Farmers Protest Construction Of New Airport

Farmers protested in Mexico City in late November against the construction of a new international airport on land they farm.

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.

The site of the new airport is the town of Texcoco, about 15 miles to the east of the capital city.

Critics said the new six runway, \$2.3 billion airport planned for Texcoco would extend urban sprawl and harm an area that is crucial to regulating floodwaters and is the home to migrating birds. Farmers in the area will lose an estimated 11,000 acres to the project.

Delta Files Complaint With EC Over BA, American Alliance

Delta Air Lines on Dec. 12 filed a complaint urging the European Commission to open a formal proceeding pursuant to Article 85 EC in regard to the proposed British Airways/American Airlines (BA/AA) alliance.

The BA/AA alliance is currently being investigated by the U.K. Office of Fair Trading (OFT) and the commission is cooperating with the OFT investigation. However, Delta's complaint recommends that the European Commission open a separate procedure under Article 85 of the EC Treaty to determine if the proposed alliance infringes EC competition law.

"Given the commission's ongoing review of other transatlantic alliances — including KLM/Northwest, Lufthansa/United Airlines and Air France/Delta, it is critical to ensure consistent analysis and equal treatment of transatlantic alliances operating between the U.S. and various member states," said Scott Yohe, Delta's senior vice president-government affairs. "As guardian of the competition objectives of the EC treaty, the commission's independent investigation will safeguard the community interest and ensure harmonious treatment of airline alliances."

BAA Cites Traffic Declines In Long-Haul Routes

BAA plc said that its seven U.K. airports handled 8.1 million passengers in November, a decline of 10.6 percent compared with the same month last year.

Low-fare services underpinned continued growth of 7.2 percent at

Stansted, 8.2 percent at Edinburgh and 3.3 percent at Glasgow. London Heathrow and Gatwick continued to be the most affected, with passenger numbers down by 13.5 percent at Heathrow and 19.8 percent at Gatwick.

North Atlantic traffic and other long-haul traffic continued to be the markets most affected by the Sept. 11 terrorist attacks, although they showed signs of improvement, BAA said.

Fraport AG Affirms Role In Manila Terminal Project

Fraport AG said it continues to participate as planned in the construction of the new international passenger terminal 3 at Manila's Ninoy Aquino International Airport.

Fraport made the announcement to deny published rumors to the contrary, the airport firm said.

Fraport AG Frankfurt Airport Services Worldwide holds a direct 30 percent share in Piatco, the terminal project company. In addition, Fraport holds a 40 percent share in PTI, the future terminal operating company.

Swissair, Crossair Combine To Create New Airline

New capital and a new board of directors are propelling the development of a new Swiss international airline that will reflect the strengths of Swissair and Crossair, according to an announcement from Swissair.

"This is the best news we have had in a long time and with such momentum, there is no doubt that the end result will fully benefit our customers," said Marcel Biedermann, Swissair vice president for North and South America.

On Dec. 6, the shareholder meeting of Crossair resulted in the appointment of a new board of directors. Those appointed to the new board for a three-year term include: Pieter Bouw (the former CEO of KLM), Jacques Aigrin, Kevin Benson (ex CEO of Canadian Airlines), Philipp Geier, Claudio Generali, Riccardo Gullotti, Andre Kudelski, Michael Pieper, Urs Rohner, Peter Siegenthaler

and Peter Wagner.

Shareholders attending the meeting also approved the proposed capital increase, which will provide Crossair with up to \$1.6 billion in additional share capital.

The brand name under which the new airline will operate has not been decided. This is at the top of the new board's agenda and a decision is expected in mid-January, the Swissair announcement said.

Under the new airline, Zurich, Swissair's main hub, will remain an intercontinental hub and Crossair's EuroAirport (Basel-Mulhouse-Freiburg), will be a regional hub, with connections from Geneva, Lugano and Bern.

Air Canada Claims It Will Proceed With Low-Cost Unit

Air Canada has denied media speculation that the carrier has abandoned its plans for its proposed western based low-cost carrier. While no start date has yet been announced for the new carrier, Air Canada President and CEO Robert Milton recommended to the carrier's board of directors that the airline postpone any formal announcement regarding the launch of the low cost carrier until additional planning is completed.

U.K. Government To Compensate Carriers

U.K. airlines adversely affected by the Sept. 11 attacks in the United States are to share a \$57.6 million government compensation package.

The decision to aid the carriers was taken by the Transport Secretary Stephen Byers. Qualifying airlines will now be invited to submit claims.

Byers said the package would "help airlines at a time when passenger numbers on services between the U.K. and U.S., and therefore revenues, are still significantly below their pre-Sept. 11 levels, but without distorting competition or relieving airlines of the need to take appropriate measures to meet the changed conditions in the market."

News From Around The World

United said it will add new nonstop daily service linking **Tokyo's Narita Airport** with **Taipei, Taiwan**. The new flights will commence on April 18, 2002, coinciding with the opening of Tokyo Narita Airport's new runway. The flights between Narita and Taipei will be operated with Boeing 777 aircraft. A total of 12 seats in United First, 49 seats in United Business and 197 seats in United Economy will be offered.

Aero Continente, headquartered in **Lima, Peru**, has selected the new Terminal 4 at **Kennedy International Airport** for its JFK operations. The carrier joins 38 other U.S. and foreign-flag airlines already using the \$1.4 billion terminal, a cornerstone of the \$10 billion renaissance currently underway at the airport. The airline was scheduled to begin Boeing 767-200 service to Santo Domingo, Dominican Republic, in mid-December.

Lufthansa has placed an order for 15 Airbus superjumbos, in an order worth \$3.7 billion. The Lufthansa order brings the total number of firm commitments Airbus has won for its 555-seater, double-decker aircraft to 97, in line with the manufacturer's target.

Moody's Investors Service downgraded the ratings for senior unsecured debt of **British Airways Plc** to Ba1 from Baa3 and placed the ratings on review for possible further downgrade. The action reflects the outlook for a sustained weaker cash flow generation as a result of the sharp reduction in demand for air travel, in particular from premium passengers and on the North Atlantic routes, pressure on ticket prices and yields, reduced financial flexibility and the expectation of higher leverage, Moody's said.

Skanska's British subsidiary Skanska U.K. has won a contract to build a new Radisson SAS hotel at **London's Stansted Airport**. Construction will begin in the spring of 2002, with opening of the hotel scheduled for late 2003. The new four-star hotel will be the first hotel to have a direct pedestrian

access to the recently extended terminal building. It will have 350 rooms, two restaurants, bars, a leisure center and comprehensive conference and banqueting facilities. Stansted Airport is the U.K.'s fastest growing airport. During the first 10 months of 2001, 13.5 million passengers passed through the airport. By 2010, the number of passengers is expected to grow to about 25 million.

Qantas' new discount international carrier, Australian Airlines, is scheduled to begin flying to six Asian cities in the third quarter of 2002. Initial services will be nonstop flights from the city of **Cairns to Osaka, Nagoya and Fukuoka in Japan**, as well as to **Singapore, Taipei and Hong Kong**, Australian Airlines CEO Denis Adams said.

FKI Logistex, a developer of material flow solutions, announces that FKI Logistex Crisplant a/s has been awarded a \$10 million contract to supply a complete baggage handling system for the expansion of **Arlanda Airport** in Stockholm, Sweden. The Swedish Civil Aviation Administration awarded the contract as part of Project Arlanda 2002. Arlanda's new baggage-handling system is scheduled to sort the first bags in October 2003. The FKI Logistex baggage-handling system will be installed in the airport's north terminal.

Subang Airport near Kuala Lumpur will close April 20 when the high-speed express train from the city to Kuala Lumpur International begins operations.

Auckland International Airport won approval to move ahead with plans to build a second runway.

Northwest Airlines announced that it will begin daily service between its **Tokyo** hub and **Pusan, South Korea**, and **Kaohsiung, Taiwan**, effective April 18, 2002. Northwest will operate Airbus A320 aircraft on the new routes, which it will also begin using on its current daily service between Tokyo and Taipei. The new service reflects the opening of a new second runway at Tokyo's Narita Airport and the grant to Northwest of 28 weekly slots on that runway. At the same time,

Northwest will extend its service between Detroit and Osaka, Japan.

Airport managers from Latin America on Dec. 7 completed the **Houston (Texas) Airport System's** first Airports Council International (ACI) Latin American Familiarization Visit. Delegates representing **Mexico, Colombia and Venezuela** attended the weeklong conference. The group studied airport operations and management at George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Field. Technical aspects of airport management, including organizational structure, finance and airline agreements, air service and freight development, concessions, master planning, human resources, security, media relations and an overview of HAS's aggressive capital improvement plan were discussed. This was the first familiarization visit between the Houston Airport System and the ACI Latin America Region. There are plans to make this an annual event.

British low-cost carrier Go is to make **East Midlands Airport** its third U.K. hub. Go will start scheduled services from East Midlands to a number of European destinations at the end of May 2002. The airline says it will carry more than 500,000 passengers to and from East Midlands in the next 12 months, both on business and leisure trips.

All Nippon Airways (ANA) is to shift the focus of its international operations to Asian routes to improve competitiveness, according to published reports. The airline plans to raise the number of flights between **Tokyo Narita Airport** and other Asian countries to about 60 percent of total international flights, from just above 30 percent, when it is given more slots at the airport next spring.

Japan Airlines will reinstate its nonstop flights between **Las Vegas and Tokyo** March 1, the carrier said. The airline suspended its five weekly flights in October.