

INTERNATIONAL AIRPORT REPORT

Volume 10 Number 3

March 2002

Sydney Airports Corp. Posts Strong Earnings

Sydney Airports Corp. (SACL) announced strong first half earnings despite difficult conditions following the Sept. 11 terrorist attacks in the U.S. and the collapse of Ansett.

Total passenger movements at Sydney Kingsford Smith Airport for the six months ended Dec. 31, 2001, were 12.102 million, down 10 percent from the previous first half, although the year-earlier period benefitted from the large rise in domestic and international traffic due to the Olympic Games.

SACL chief executive officer Tony Stuart said traffic numbers were showing a rebound each month. "In February, international traffic was down just 4 percent on the same month last year and

figures for the first half of March are even more encouraging," he said.

SACL reported an interim net operating profit of \$44.1 million, compared to \$14.7 million in the previous first half.

Total revenue rose 23.3 percent to \$230.3 million, with total revenue per passenger up from \$13.90 to \$19.03.

SACL said there was also a 2 percent reduction in total operating expenses during the period and an improvement in productivity.

Earlier, the federal government announced it would restart the sale process for Sydney Airport as advisers said market conditions had stabilized since the sale was deferred on Sept. 24, 2001. The airport is expected to have a price tag of around \$5 billion.

SACL Chairman David Mortimer said the board welcomed the decision and that Sydney Airport is "in good shape."

Upcoming Events

June 18-20—Bangkok, Thailand *Le Royal Meridien*. Airport/Airline Security in the New World: Next Steps in Planning, Technologies and Implementation in Asia and the U.S.

July 21-24—Milan, Italy *Milan Hilton*. Airport Security Workshop sponsored by AAE, IAAE and Aeroport Milano.

October 6-9—Marrakech, Morocco *Palmerie Golf Palace*. North Africa/Middle East/U.S. Airport Infrastructure/Safety/Security Workshop and Trade Mission sponsored by U.S. Trade and Development Agency, U.S. Department of Commerce, FAA, AAE and IAAE.

November 10-13—Istanbul, Turkey *Conrad Hilton*. Central Europe/U.S. Airport Infrastructure/Safety/Security Workshop and Trade Mission sponsored by U.S. Trade and Development Agency, U.S. Department of Commerce, FAA, AAE and IAAE.

Virgin Blue Poised To Win Share Of Australia Market

Virgin Blue, Australia's low-cost carrier, could win up to 35 percent of the country's domestic market over the next two years following the recent sale of 50 percent of its stock to Patrick Corp., according to industry observers.

In the 18 months since Virgin Blue was launched by Richard Branson, the carrier already has captured a 15 percent share of the Australian market.

CAA Begins Next Stage In London Airport Review

The U.K. Civil Aviation Authority (CAA) has initiated the next stage of the regulatory review for BAA's London airports by referring them to the Competition Commission and publishing detailed recommendations.

The recommendations are available

on the CAA website at www.caaerg.co.uk.

BAA issued a statement saying it "looks forward to engaging in discussion with the Competition Commission but broadly welcomes the CAA recommendations, in particular that airport charges at Heathrow should rise. There are a number of financial and technical issues outstanding from the CAA referral document, which will be discussed further with the commission. BAA notes that the CAA's recommendations to the Competition Commission are a further stage in the review process which is not expected to conclude until the end of 2002."

London Stansted Opens Terminal Extension

London Stansted Airport on March 6 opened its landside terminal extension.

The extension provides travelers with 36 new check-in desks, more entry points to the terminal via an extended forecourt, extra passenger seating and increased circulation space.

Moreover, additional retail and catering outlets will be completed by the end of April.

Air travelers already have had access to some extra facilities with the phased opening of this extension. The departure lounge beyond security was extended before Christmas 2001 and this included an enlarged security search area, with additional x-ray machines and dedicated route for non-European Union travelers.

Merger Of Japanese Carriers In Jeopardy

A proposed merger between Japanese carriers Japan Airlines and Japan Air Systems has run into problems after being described as anti-competitive by a government agency.

Japan's Fair Trade Commission said the merger could affect competition on key routes and lead to higher ticket prices.

If the merger between the two carriers proceeds, it would cut the number of major players in the domestic market to two. "When the three largest carriers become reduced to two, the already sympathetic fare-setting practices in the industry will worsen," according to the commission.

Calgary, Edmonton Partner In Travel

To support traffic growth, Calgary International and Edmonton International announced a new passenger initiative in partnership with Air Canada and WestJet.

The two airports serve more than 300,000 passengers each year who travel between the two cities. Many are traveling for business purposes, and time, efficiency and convenience are critical. This short-haul traffic is an important contributor to both airports' business, the airports said.

The initiative, the Corridor Stimulation Program, features an express process incorporated into the airlines' check-in, and security screening that will allow travelers to move quickly through pre-departure processes. Initial incentives offered by the airports include a reduction in the on-airport parking fee for same day return travelers, and half-price airport valet service in Edmonton.

Houston, Beijing Airport Officials Hold Meeting

Administrators from Beijing Capital International Airport and the Houston Airport System co-hosted a gathering of top Chinese aviation officials, representatives from Chinese and American airlines and international trade executives in Beijing early this month.

The meeting brought together aviation industry officials interested in developing closer economic ties between Houston and Beijing. The gathering was initiated as a result of a cooperation agreement signed in

Houston in May 2000.

Since the agreement was signed, 14 Beijing airport professionals have visited Houston on two separate occasions to learn and share information about various facets of airport operations.

At the beginning of the Beijing conference, Hoyt Brown, deputy director of the Houston Airport System, said, "The airport cooperation agreement has given us a golden opportunity to strengthen our friendship, our knowledge and make both Houston and Beijing stronger players in the global economic market. While we are here in China we will be working together to further expand the agreement. This will hopefully lead one day to direct air service between our two cities."

Li Peiyin, president of the Beijing Capital International Airport Co. Group, opened the event. "China and the United States are nations of great resources," he said. "Our civil aviation industry has a fine prospective for development. As a supportive industry for the national economy, airports not only directly serve international trade, tourism, high tech and other such industries but also generate prosperity to upstream industries such as mechanical manufacturing, construction and energy and promotes economic development."

Houston has strong economic ties to China, as more than 350 local businesses trade with that country and 52 have subsidiaries in China. There are five Chinese companies with offices in Houston, an airport official said.

Frankfurt Points To Passenger Traffic Gains

Frankfurt (Germany) Airport said it continues to recover in terms of passenger traffic demand. Some 3.3 million passengers used Germany's largest airport in February 2002. Although this is a 3.2 percent decrease over the same month in 2001, the traffic drop is shrinking continuously, the airport authority, Fraport AG, said.

In November and December 2001, Fraport AG recorded a decline at Frankfurt of 10.9 percent and 7.9 percent, respectively. In January 2002,

there was a decrease of 6.2 percent.

U.S., Japan In Dispute Over Narita Slots

The U.S. Department of Transportation (DOT), responding to the Japanese government's threatened blocking of a transfer of slots between U.S. carriers at Tokyo's Narita Airport, on March 21 required Japanese airlines to submit to DOT their all-cargo schedules for services to the United States.

The department stated that if this issue is not resolved quickly, it would consider denying rights to a Japanese carrier or carriers for some current U.S. service.

In the wake of the Sept. 11 terrorist attacks, Delta Air Lines withdrew most of its service to Japan. As a result, it no longer had a use for many of its Narita slots, and arranged to transfer to FedEx slots it had obtained from them in early 1998. On Feb. 25, the Japanese government notified DOT that it did not intend to permit the planned transfer of slots from Delta to FedEx and would put the slots in the pool for reallocation to other carriers.

Lufthansa Group Posts Operating Profit For 2001

The Lufthansa Group on March 12 posted a provisional operating profit of

INTERNATIONAL AIRPORT REPORT

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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.

EUR20 million in the 2001 business year but said it will not make a dividend payment.

"In view of the losses running into the two-digit billions in our industry, we have attained our ambitious goal of avoiding an operating deficit. We have adopted the right course, which we must maintain, in order to emerge stronger from the crisis," said Lufthansa Chairman and CEO Jürgen Weber.

The impact of the terrorist attacks against the U.S. and the weakening global economy gravely affected the past business year, the carrier said. As a result, operating profit remained well below the EUR1.04 billion returned in the previous year.

SAA To Upgrade Fleet With Airbus Aircraft

A major upgrade of South African Airways' (SAA) fleet resulted in a substantial aircraft order for Airbus Industrie.

The carrier on March 7 gave Airbus a \$3.5 billion order to replace its Boeing equipment.

SAA is taking a mixture of 41 wide and narrow bodied jets over the next nine years. Some will be bought and a number acquired on lease.

SAA finance chief Richard Forson recently indicated that the airline was likely to scrap its existing fleet of 10 Boeings used on long-haul flights.

IATA Predicts Freight Volume To Expand

IATA's freight forecast for the years 2001-2005 points to a reduction in freight volumes in 2001, due to the slowing of economic growth and effects from the Sept. 11 attacks, and predicts all major markets will grow in 2002.

Some key findings are:

- Over the period 2001-2005 the regions with the highest average annual growth rate (AAGR) are Europe to/from Africa (at 3.8 percent), and Europe to/from the Far East (at 3.6 percent).

- Over the period 2002-2005 the transpacific region is forecast to have the highest AAGR, at 6.3 percent. This includes growth in excess of 7 percent

from 2003 onwards.

- The AAGR for total scheduled international air freight is 2.0 percent, down from 3.9 percent in the original 2001 forecast.

IATA projects the annual volume carried on international scheduled services to reach 20.8 million tons in 2005.

ANZ Posts Losses, Says Prospects Uncertain

Air New Zealand posted substantial half year losses and the carrier said its prospects are uncertain.

The airline recorded interim losses of \$161.7 million and attributed much of its financial trouble to costs incurred when ANZ's Australian subsidiary, Ansett, collapsed last year. The New Zealand government stepped in with a rescue package after shareholders Singapore Airlines and Brierley Holdings refused to provide funding.

Commenting on the interim figures, the airline said it faced big challenges to meet future financial targets, which include a return to profitability within two years.

"Notwithstanding the successful completion of the recapitalization, these targets remain very challenging and achieving them not certain, particularly given the degree of volatility in the industry and operating leverage within the business," ANZ said in a statement.

Air Canada, Spanair Form Alliance

Air Canada President and CEO Robert Milton and Spanair Director General and CEO Enrique Melia on March 20 signed an agreement to develop an alliance.

Provisions in the agreement cover such key elements as reciprocal participation in frequent flyer programs, schedule coordination, through check-in, reciprocal lounge access and, subject to government approval, code sharing.

Beginning in April 2002, the airlines' schedules and passengers services will be coordinated to provide travelers with one-stop check-in and conveniently scheduled joint flights between Toronto and three destinations in Spain:

Barcelona, Malaga and Palma de Mallorca.

Nav Canada Completes Upgrade To Oceanic ATC

Nav Canada said it has made a major technology breakthrough with the completion of an upgrade to its oceanic air traffic system, known as the Gander Automated Air Traffic System (GAATS).

The system and the air traffic controllers who operate it, based in Gander, Newfoundland, are dedicated to the world's busiest oceanic airspace, over the North Atlantic, with up to 1,000 flights a day between Europe and North America.

The latest GAATS upgrade, now in service, involves a new air traffic controller workstation and display and significant new computer-based, automated capabilities. These new tools provide controllers with the most advanced technology in the world for non-radar, oceanic airspace, Nav Canada said.

Singapore Airlines To Boost U.S. Services

Singapore Airlines (SIA) said it is restoring original flight frequencies to four U.S. cities due to a steady recovery in passenger traffic

"In the past few months, we have seen a steady recovery in passenger traffic across many routes, particularly in the leisure segment. Business travel is also recovering in tandem with the economic recovery, albeit at a more measured pace," SIA senior executive vice president Michael Tan said.

SIA said that, effective May 1, it will resume its three times a week Singapore-Amsterdam-Chicago service, which was suspended in January. The Singapore-Seoul-San Francisco service, which was reduced to five times weekly, will revert to daily on March 31, while the Singapore-Tokyo-Los Angeles service, which also was reduced to five times a week, will return to daily on March 31. SIA said it will resume by May 1 the daily Singapore-Frankfurt-New York service, which was reduced to four times weekly in October.

News From Around The World

Winnipeg Airports Authority (WAA) announced that Barry Rempel has been appointed to the position of president and CEO, effective April 15.

Passenger traffic at **Kuala Lumpur International Airport** is expected to reach 17 million by the end of this year, up from 14.6 million, officials said.

London City Airport said that its passenger numbers have increased to record levels, reflecting the recent recovery in the aviation industry. The airport handled 121,946 passengers in February, 1 per cent more than the February 2001 figure and the best February ever for the Docklands-based airport. "We now believe that we should experience an average monthly growth rate of around 2 percent in passengers for the next two months," said the airport's managing director Richard Gooding.

British Airways said it has increased transatlantic services due to improved passenger traffic. Starting April 21, British Airways will restore its Saturday Concorde flight between **London** and **New York**, and the supersonic jet will fly daily between the two cities. A spokesman said March 18 that while conditions remain difficult, "passenger levels are recovering quicker than we expected."

Delta Air Lines said it will begin code sharing on flights of SkyTeam partner Alitalia from **Milan to Lyon, Marseille and Nice**, beginning May 1.

Boeing confirmed an order from **Kenya Airways** for three 777-200ER (Extended Range) airplanes. Deliveries are scheduled to begin in 2004.

Air Canada has been named one of the top 10 airlines in the world and the third best North American airline in the 2002 Airline of the Year survey conducted by Skytrax Research, based in London. Air Canada Star Alliance partners Singapore Airlines, Deutsche Lufthansa and All Nippon Airways were also named in the top 10 ranking.

Atinera, a global provider of travel automation and management systems, has signed **Qatar Airways**. Qatar

Airways will use the hosted Atinera solution to create and deliver reservation, inventory and distribution processes for its leisure brands Qatar Airways Holidays and Discover Qatar.

Canadian Transport Minister David Colletette announced that the government will renew its indemnification for third-party aviation war risk liability for essential aviation service operators in Canada. The initial provision of an indemnity for a period of 90 days was announced Sept. 22, 2001. It has been extended twice, and will expire March 21, 2002. The new indemnity program will extend from March 22, 2002, until May 20, 2002. "The insurance market has not yet recovered sufficiently to re-introduce acceptable commercial coverage," said Colletette. "The government of Canada's intervention in the insurance market is only temporary; we are actively involved in discussions with other countries and the industry to find a permanent solution."

WestJet announced that it is adding service to the new market of **Toronto, Ontario**, starting May 23. WestJet will offer service from Terminal 3 at Toronto's Pearson International Airport with 13 flights a week between Toronto and Calgary and 13 flights a week between Toronto and Edmonton.

Avtech Inc. unveiled plans for a 90,000-square-foot expansion of its aircraft maintenance facilities at **Montreal's St-Hubert airport**. Construction will begin this spring and will be completed by September 2002. The new facilities will include multiple aircraft hangars, workshops and premium office space, some of which will be available for rent to third party aviation services suppliers. The facility also will include a new state-of-the-art FBO executive terminal. The decision to go ahead with the project at St-Hubert airport follows an extensive study on the needs of the executive-corporate aviation sector for the next decade.

SAS on June 1 will begin offering a new class of service, called Scandinavian Direct, on short-haul routes. The carrier

said it will remove the curtain between the business and economy class sections of the aircraft, reduce business travel prices by up to 30 percent and introduce a new, uniform onboard-service concept. SAS also said the new program will simplify booking, purchasing and check-in.

Geneva International Airport and business aviation specialist PrivatAir in March opened Geneva's new private aviation facilities, known as the C3 terminal. Located to the west of Geneva's main passenger terminal, the \$7.5 million building is a joint venture between the airport and PrivatAir.

The Houston Airport System (HAS) signed a cooperation airport agreement with the **Tanzania Airports Authority**. The agreement is designed to promote the establishment of air service between Houston and Tanzania. According to an HAS statement, more than 980 Houston area companies trade with Africa, with business totaling more than \$3 billion a year.

Delta Air Lines and **Korean Air (KAL)** have applied to the U.S. Transportation Department for antitrust immunity for their Skyteam alliance. If granted, KAL will be the first Asian carrier to win immunity from U.S. competition restrictions. With the benefit of antitrust immunity, the two carriers plan to expand their existing codeshare operations. KAL was given the all-clear on safety grounds in December 2001 by the U.S. Federal Aviation Administration, which restored it to the highest safety category.

The **IATA Board of Governors**, at a special meeting on March 20, unanimously approved the appointment of Giovanni Bisignani as the new director general and CEO. Bisignani will take over from incumbent Pierre Jeannot immediately after the IATA Annual General Meeting to be held June 3-4 in Shanghai, China. For the past 15 months, Bisignani has served as president and CEO of Opodo, the airline-owned online travel portal in Europe.