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NavCanada Expects Revenue Dip; Traffic Down 16 Percent

NavCanada said it expects air traffic to experience a gradual recovery by the end of this fiscal year. However, the company said it will likely experience a \$145 million revenue shortfall during the period.

John Crichton, president and CEO, told the company's annual general meeting in Ottawa in mid April that, "We're taking measures now to keep the company strong, so we can provide

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. Sponsored by U.S. Trade and Development Agency, U.S. Department of Commerce, U.S. Department of Transportation, U.S. Transportation Security Administration, U.S. Federal Aviation Administration, U.S. Embassy-Commercial Service Thailand, AAAE and IAAE.

July 21-24—Milan, Italy *Milan Hilton*. Airport Security Workshop. Sponsored by AAAE, IAAE and SEA - Milano Airports.

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, AAAE 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, AAAE and IAAE.

future benefits and cope with future crises. In spite of the current uncertainty in the industry, our operational integrity won't be diluted or compromised."

In the first six months of the current fiscal year, air traffic volumes tracked about 16 per cent below NavCanada's original estimates, Crichton said, and this level will continue.

"Lately we've seen some evidence of a recovery in traffic," he said. "It looks encouraging, but we are not out of the woods yet by any means. The loss in revenues has created a growing financial deficit."

NavCanada's plan to deal with this downturn includes \$85 million in cost reductions; \$30 million in revenue through a draw-down of the company's rate stabilization account, and \$30 million through a 6 per cent service charge increase, or \$50 million on an annual basis.

Crichton said, "We have met with our employee bargaining agents to discuss how they can contribute to this plan. We have met with customers, who agreed to the service charge increase, in effect since Jan. 1, 2002. And we have met with the major credit rating agencies who have endorsed the plan in recently confirming our double A status."

So far, most managers have taken pay cuts or freezes. Vice presidents have taken a 5 percent cut, the president and CEO a 10 percent cut, and company directors a 20 percent cut in fees. Significant reductions have been made in expenditures for travel, telecommunications, information management, advertising and promotion and other administrative functions. Most suppliers are providing discounts ranging from 10 to 20 per cent, NavCanada said.

Despite the loss of war risk insurance coverage, the Canadian government has stepped in and is providing an indemnity until private sector insurance

becomes available on reasonable terms, Crichton said. "We're grateful to the government for this support," he said, while pointing out that "higher insurance costs are inevitable."

InVision Receives EDS Orders From France, Italy

InVision Technologies announced that France's Service Technique des Bases Aeriennes (STBA) and Aeroporto Palermo de Punta Raisi of Italy have ordered CTX 2500 and CTX 9000DSi explosives detection systems (EDS) valued at approximately \$6.3 million.

STBA is one of InVision's largest customers, responsible for the technical evaluation of aviation security technology throughout France. STBA also purchases equipment for many French airports. France represents the largest installed base of EDS outside of the United States, and STBA and its predecessor authority have ordered EDS from InVision since 1996.

Aeroporto Palermo in Italy is ordering its first system from InVision, with options to continue deploying CTX throughout the airport. The Palermo airport is the third Italian airport to select InVision CTX systems.

Japan's Narita Airport Opens Second Runway

Japan's Narita Airport Authority on April 18 opened a second runway after years of conflict over whether the airport would be allowed to expand capacity. The airport until now has operated with a single runway, which closes at 11 p.m.

Narita opened in 1978 to replace Tokyo Haneda as the city's main international airport. Three runways were originally planned for the facility.

The second runway is only 7,152 feet long instead of the planned 8,200 feet.

Even with this limitation, the second runway will allow the number of flights at the airport to increase from the present 135,000 to 200,000.

Pierre Jeannot, director general of the International Air Transport Association, commented that, "Narita's long-awaited second runway will add much needed additional capacity in one of the world's largest and most important travel markets."

Jeannot added that, "Additional capacity will bring reduced unit costs and additional traffic." He urged the airport authority to pass along these benefits to the airlines in the form of reduced user charges.

Mexico Seeks Bidders For New Capital Airport

Mexico's federal airport authority is seeking bidders to develop a new airport for Mexico City. The development cost will be about \$2.3 billion and proposals must provide for more than 50 percent Mexican participation, according to an announcement.

The airport will be located on a dry lake bed east of Mexico City. It is expected to have six runways, three of which will be able to operate simultaneously, and the capacity to handle as many as 90 million passengers per year.

The existing Mexico City airport is crowded and handles a daily average of 800 operations, a number that is expected to grow by almost 4 percent annually over the next five years.

BAA Issues Investment Plan For Three London Airports

BAA plc issued its capital investment plan for the period 2002/3 to 2012/13, which includes proposed major capacity improvements at Heathrow, Gatwick and Stansted airports. The plans provide for the new fifth terminal at Heathrow.

Further, on April 19, BAA opened the extension of the Stansted terminal, which the company said will help the airport meet the strong growth in demand it is experiencing.

BAA plans to invest 8.1 billion pounds over the next 11 years at its three London airports, Heathrow, Gatwick and

Stansted. The plans for Heathrow include Terminal 5 and improvements to the four existing terminals; Gatwick will be expanded to allow the airport to accommodate 42 million passengers annually with the existing two terminals and one runway; Stansted will be expanded, assuming BAA obtains permission to expand capacity at that airport.

Passenger numbers for the next 11 years are forecast to grow at the three airports from a total of 104.9 million in 2001/2 to 153 million in 2012/13, an increase of 45.8 percent, the company said. The forecast average annual increase is 3.5 percent.

Commenting on the investment program, BAA's chief executive Mike Hodgkinson said, "Forecasting long term traffic growth in detail is difficult given the recent turmoil in the aviation industry and the fact that the government's framework for airport development has not yet been published. However, there is no doubt that, long term, demand will continue to be strong and we are confident that traffic will double over the next 20 years. Today we are setting out our plans to invest over 800 million pounds per annum—over 2 million pounds per day—over the next 11 years. This investment is essential if Britain is to have the quality airports it needs."

Taser Less-Lethal Weapons Purchased By Korean Air

Taser International, a provider of advanced less-lethal weapons for use in the law enforcement, private security and personal defense markets, reported a contract for its Advanced Taser less-lethal weapon systems by Korean Airlines.

Korean Airlines will become the first Asian carrier to install Advanced Taser weapon devices on all its aircraft.

The contract was formally signed by Korean Airlines with C&S Corp., Ltd. in South Korea. Korean Airlines will train its air crews by mid-April.

The Taser weapons fire an electronic charge that instantly disables an attacker, allowing time for them to be restrained.

Australian Airlines To Begin Service In October

Australian Airlines, a discount operator owned by Qantas, will begin flights at the end of October, according to an announcement.

The first stage of the new Sydney-based airline's operations will see the phasing in of services between Cairns and Osaka, Fukuoka, Singapore, Taipei, Hong Kong and Nagoya between late October and December.

The second stage of operations in 2003 will involve flights from a second base in a southern Australian capital city to a number of ports, including Phuket in Thailand and Kuala Lumpur in Malaysia.

The new airline will not compete against with its parent, Qantas, but will operate on routes from which the national carrier has withdrawn or cannot make a satisfactory profit, the announcement said.

Australian Airlines initially will operate four Boeing 767-300 aircraft and build to a fleet of 12 planes.

Branson Outlines Plans For Virgin Blue Expansion

Virgin Blue Chairman Richard Branson outlined the Australian airline's expansion.

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sion plans in a recent media briefing, stating that the carrier will have a major fleet upgrade.

The low-fare airline is in talks with Boeing and Airbus about buying or leasing 30 to 40 planes.

A decision about the aircraft order will be made within three months, Branson said.

Branson in March agreed to sell a 50 percent stake in Virgin Blue to Patrick Corp. Ltd. Beginning operations in mid-2000, Virgin Blue now has 1,700 employees and a fleet of 16 Boeing 737s.

Middle East Airlines Orders Six Airbus Planes

Middle East Airlines, the national airline of Lebanon, signed an agreement with Airbus, covering the sale of six A321s.

British Air Executive Urges Liberalized Markets

British Airways chief executive Rod Eddington on April 17 urged governments to liberalize aviation markets to ensure a "buoyant future" for air carriers.

Speaking to New York's Wings Club, Eddington also called for the European Commission to negotiate air service agreements on behalf of all member states, starting with U.S. agreements. The move would increase competition and facilitate consolidation of the industry in Europe, he said.

"Our industry is stuck in a time warp of regulation and protectionism, which is very odd for the very industry which makes free trade between nations a possibility. We are hardly a role model for our customers," Eddington said.

China Air Faces Greater Competition On Key Routes

China Airlines said intensified competition on key routes to Japan and Hong Kong makes its earnings forecast for the year uncertain.

The airline said it expects to experience a 7 percent decline in passenger numbers and a decrease in ticket prices on the routes.

In preparation for these contingencies and to counter further negative impact, China Airlines said it plans to expand its services linking Hong Kong to the U.S., Canada, Japan and other major destinations.

The company said it also expects to experience a decline in passenger numbers on the Taipei-Tokyo route due to greater capacity. Further, China Airlines noted it was required to shift its flights to Narita Airport from Haneda Airport on April 18.

ANZ Disputes Reports That Question Finances

Air New Zealand Secretary John Blair disputed a Reuters' news report that claimed the carrier needs NZ\$670

million in addition to money already pledged by the New Zealand government to remain a viable entity over the coming year.

"The report misinterprets the content of a November cabinet paper on the company's need for an injection of additional capital," Blair said. "The cabinet paper refers to the company's need for \$1.705 billion in additional capital to achieve a workout and contains recommendations for the provision of government funding of up to \$1.035 billion. The Reuters' report misinterprets this to mean that the company needs an additional \$670 million to remain viable over the coming year," Blair said. He added that the carrier currently has in excess of \$550 million on short-term deposit.

British Low-Cost Carrier Exceeds Expectations

European low-cost carrier Bmibaby is planning to set up a second U.K. base, according to reports.

Passenger forecasts for the BMI British Midland-owned operation have soared and the budget carrier now says it expects to carry around 500,000 passengers in its first nine months—a third more than expected.

A second base will be established by March 2003 and five more Boeing 737 aircraft will have been added to its fleet, bringing the total to eight.

AAAE, IAAE To Offer Four International Aviation Security Meetings

AAAE and IAAE have scheduled four important international meetings in 2002 that will focus on aviation security. Two of these meetings—in Bangkok, Thailand, and Marrakech, Morocco—are trade missions being cosponsored by the U.S. Trade and Development Agency as part of a major U.S. government initiative to address common security challenges in Asia, North Africa and the Middle East, and to advance U.S. trade development in the aviation sector.

The four meetings are:

- Aviation Security in the New World: Next Steps in Planning and

Implementation for Asia, June 18-20, 2002, in Bangkok, Thailand

- U.S./European Airport Security Workshop, July 21-14, 2002, in Milan, Italy

- North Africa/Middle East Airport Security/Safety/Infrastructure Workshop, Oct. 6-9, 2002, in Marrakech, Morocco

- Eighth Annual Central Europe/U.S. Airport Security/Safety/Infrastructure Workshop and Trade Mission, Nov. 10-13, 2002, in Istanbul, Turkey

"These meetings offer U.S. airport management and corporate officials a rare opportunity to meet with their counterparts in other parts of the world

to debate security, safety and other challenges crucial to airports everywhere," said AAAE Chair Jim Koslosky, A.A.E.

IAAE Chair Jim Bennett, A.A.E., commented that, for airport executives, "It is more important than ever to recognize the common security and safety challenges being faced by our colleagues worldwide, especially in light of the terrorist attacks of September 11, 2001."

For more information on these meetings, contact Spencer Dickerson at (703) 824-0500, Ext. 130, or via e-mail at sdickerson@airportnet.org.

News From Around The World

Delta Air Lines said it has signed a Memorandum of Understanding for Delta's technical operations division to provide program integrated maintenance support services for **Royal Air Maroc's** Boeing 767-300ER aircraft. The services will include engineering, maintenance and administrative support.

American Airlines announced the addition of two new destinations in the **Dominican Republic—Santiago and Punta Cana**—effective June 15. Both destinations will be served from New York's Kennedy airport. Additionally, American will serve **Santiago** with a daily flight from Miami International Airport.

Air New Zealand has expanded its codeshare arrangement with Lufthansa to include a second Lufthansa-operated daily return flight between **Frankfurt and Los Angeles**. The new arrangement will start May 5 and increases Air New Zealand's ability to feed European travelers into its Los Angeles to Auckland and Los Angeles to Sydney routes, the airline said.

Air Canada boosted its domestic fuel surcharge to \$15 for a one-way ticket, effective April 11. The company said the increased surcharge is in response to escalating fuel prices.

EVA Airways Corp. said it has restored staff salaries to their levels before a 10 percent-30 percent pay cut was imposed in 2001. The **Taiwanese** airline also said it will recall 100 of the 400 flight attendants it laid off late last year.

American Airlines and Finnair petitioned the U.S. Transportation Department for antitrust immunity to let them cooperate in setting schedules and prices. Both carriers are members of the oneworld alliance and said that antitrust immunity would let them increase their ties.

Cathay Pacific Airways announced that it will reinstate a number of flights to North America that were suspended late last year in a measured response to improved market demand. Effective

June 1, Cathay Pacific's service from Los Angeles to Hong Kong will increase from seven to 10 flights a week. On July 1, the airline's service from Vancouver to Hong Kong will rise from 11 to 14 flights a week and flights from San Francisco will switch from being served by an A340-300 to a higher-capacity B747-400.

Air France said it will begin recalling its flight attendants and other staff due to an improvement in the market. While Air France said the decision is linked to an upturn, the company said it remains cautious over the outlook for passenger traffic.

British Airways is cutting restrictions on domestic routes from **London**, a move the carrier said would lead to savings of up to 70 percent in some markets.

SkyTeam is launching an \$18 million advertising campaign to underscore the alliance's focus on passenger convenience. The alliance is comprised of **Aeromexico, Alitalia, Air France, CSA Czech Airlines, Delta and Korean Air**.

American Airlines announced that it has entered into an extensive codeshare agreement with Swiss, the newly branded national airline of **Switzerland**. The arrangement includes reciprocal frequent flyer cooperation.

At a news conference in Toronto, **Air Canada Jazz** was announced as the new brand name for Air Canada's regional airline. The new name, logo, website and aircraft livery signifies a new beginning for the company's newly merged regional airlines. "Our objective in creating our new brand was to build on the strengths of the four existing brands of AirBC, Air Ontario, Air Nova and Canadian Regional Airlines," said Joseph Randell, president of Air Canada Jazz. Air Canada Jazz provides close to 800 flights each business day to 80 destinations in Canada and the U.S., utilizing a fleet of Fokker F28s, British Aerospace 146s, Bombardier CRJs (beginning in May), Dash 8 100/300s and Beech 1900Ds.

China Southern Airlines said it has expanded its nonstop service between Baiyun International Airport in **Guangzhou and Ho Chi Minh City,**

Vietnam, to a daily operation.

Q-Seven Systems Inc. said that it has acquired the major part of the shares of **PartnerAir Plc., Ireland**, a company that operates an airplane charter business in European executive and private air travel.

LanChile has signed a new codeshare agreement with Qantas to operate the **Santiago-Sydney** route. The agreement, effective July 1, provides for three weekly frequencies, operated by LanChile's new Airbus 340 aircraft.

Airbus said it signed a contract to sell 20 airplanes to Shanghai-based **China Eastern Airlines**. Delivery of the aircraft is scheduled to begin in 2003.

British Airways has teamed up with the University of Birmingham Medical School in a new research project aimed at examining awareness of deep vein thrombosis (DVT) among regular air travelers. The airline is approaching 1,000 of its frequent flyers to help researchers. The research study will examine the passengers' awareness of DVT and any precautionary measures they are taking to reduce their exposure to the condition. British Airways is currently involved with the World Health Organization in the development of a broad research program that intends to look at all aspects of travelers' thrombosis and air travel.

Iberia Airlines continued its financial turnaround, posting a first-quarter pretax loss of 10 million euros (\$8.8 million), down from a pretax loss of 98.8 million euros for the same period last year. Traffic between the U.S. and Spain has substantially recovered from the reduced number of flights following the Sept. 11 terrorist attacks.

Singapore said it would welcome the opportunity to sign an open skies agreement with neighboring **Malaysia**, as such a pact would boost air traffic between the two countries, according to published reports. An open skies agreement would also lead to "significant increases" in air travel and tourism for the two Southeast Asian countries, Singapore's Ministry of Transport said.