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UPS To Construct Regional Air Hub At Vancouver Int'l

United Parcel Service announced it will construct a new regional air hub at Vancouver International Airport. The 125,000-foot facility, to be built on land adjacent to the north runway and slated to open in early 2004, will accommodate UPS's growth in the region.

"UPS is strengthening its infrastructure and network around the world, as part of its overall global strategy to offer customers better, faster service," said

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.

UPS Canada President Alan Gershenhorn.

The new Vancouver air hub is part of a long-term strategy to ensure that UPS meets the increasing demands of one of Canada's fastest growing markets, Gershenhorn said. "Package distribution is also a labor intensive business; more volume equals more jobs. This hub could be an engine for growth."

Designed to house more than 400 employees and 100 delivery vehicles, the new facility will bring most of UPS's Vancouver-area employees together under one roof. The operation will utilize state-of-the-art package scanning technology, and have the capacity to sort 10,000 pieces per hour, three times the sort capacity at the current UPS Vancouver facility. The hub will have four acres of air ramp, and will serve British Columbia and the region with three jets and various feeder aircraft. The local air network will include flights to and from Louisville, Kentucky (the site of UPS's main international and U.S. air hub), Anchorage, Alaska (UPS's hub for flights between North America and Asia), and domestic points.

The new hub will be UPS Canada's second largest facility, after Toronto. UPS also will be the first business to develop in the Northlands commercial zone at Vancouver—approximately 200 acres of land to the north of the airport's north runway.

UPS in April opened an intra-Asia air central sorting hub in the Philippines.

Moody's Investors Downgrades Santiago Bond Rating

Moody's Investors has downgraded the public underlying rating of the outstanding \$198.94 million in long-term bonds of SCL Terminal Aereo Santiago (SCL), to Ba3 from Ba1. The rating remains on review for possible further downgrade.

Moody's said its review will focus on any signs of improvement over the financial disputes between the concessionaire and the Ministry of Public Works (MOP) and the Direccion General de Aeronautica Civil (DGAC) over concession rights. In addition, Moody's said it will seek additional information on the projected performance of specific airport business lines given the current economic conditions in Chile and the airline industry.

The original \$213 million issue was used to finance improvements associated with a 15-year concession to construct and renovate the air terminal of Aeropuerto Internacional Arturo Merino Benitez in Santiago. The Ba3 and negative outlook reflects the continuing strain on the financial and operational position of the project. Moody's said it is concerned that the majority of the factors that are needed to improve the situation are out of the concession's direct control. Airport officials have indicated that SCL may default on debt service payments as early as 2004 absent any marked improvement on these fronts. Given the dynamic nature of the situation, Moody's said it will continue to monitor the situation and may adjust the rating downward if there is no marked improvement over the near term.

"The essentiality of the airport to Chile has not diminished, given its role as the nation's principal international gateway, the absence of competing facilities, its strong origination and destination market, and its position as one of the key projects in the government's overall privatization efforts," Moody's commented.

While year 2001 passengers totaled 5.9 million, slightly higher than the 5.8 million in 2000, they are roughly 21 percent below the original base case scenario when the debt was sold. Operating revenues for 2001 are roughly

65 percent below the 1997 projections.

Frankfurt Airport Records Positive Results For 2001

Fraport AG Frankfurt Airport Services Worldwide said it recorded positive business results in 2001 despite what was an extremely difficult year for the aviation community. Consolidated profit reached 101 million euros for fiscal year 2001.

Dr. Wilhelm Bender, chairman of Fraport’s executive board, noted that the factors contributing to the positive outcome included an increase in airport and infrastructure charges, as well as higher proceeds from rents and sales-linked revenues.

Traffic at Frankfurt Airport declined 1.6 percent below the peak year of 2000 to 48.6 million passengers, Bender said.

Fraport reported consolidated traffic figures for Frankfurt, Hanover, Saarbrucken, Hahn, Antalya and Lima airports. For the group, passenger traffic rose 0.2 percent to a total of 67.9 million last year. Airfreight and air mail grew by 1.8 percent to 1.9 million metric tons.

Frankfurt’s planned expansion is the most important project in the coming years, Bender said. The zoning procedure for a new runway will begin later this year, he said. The new runway, for landings only, is scheduled to go into operation in 2006.

Fraport AG also said it has signed a five-year agreement on fees with airlines serving Frankfurt airport. The agreement is effective from Jan. 1, 2002, Fraport said.

Houston To Host Training For Beijing Airport Executives

City of Houston, Texas, Mayor Lee Brown announced an agreement that will bring 20 of the top Beijing Capital International Airport (BCIA) executives to train in Houston.

Rick Vacar, director of the Houston Airport System, and BCIA President, Li Peiyong, joined in announcing this training agreement.

The contract was developed by the Houston Development Corp. serving as

an extension of the international trade and air service development efforts of the airport. The agreement will bring the Beijing airport executives to Houston for 24 weeks of training.

“This is a one of a kind program that involves on-the-job training at George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Field, as well as academic instruction by the University of Houston and Texas Southern University,” Vacar said.

The training accord is a direct result of an airport cooperation agreement signed between Beijing and Houston airports in May 2000. Since that agreement was initiated, there has been an ongoing exchange of information and training. Fourteen Beijing airport professionals have visited Houston on two separate occasions to learn and share information about various facets of airport operations.

In March, the Houston Airport System and the Beijing Capital International Airport co-hosted a gathering of top Chinese aviation officials, representatives from Chinese and American airlines and international trade executives in Beijing. The meeting brought together aviation industry officials interested in developing closer economic ties between Houston and China.

EDS Systems In Operation At Kelowna Airport

New explosives detection system (EDS) x-ray equipment is now in operation at Kelowna (Canada) International Airport, officials said. The \$750,000 worth of equipment, which was provided by Transport Canada, is being used to inspect both carry-on baggage and baggage carried in the holds of U.S.-bound aircraft.

“Kelowna International Airport was one of the first airports in the country to put this equipment into service,” noted airport General Manager Roger Sellick. “Our achievement is the result of a strong team effort involving staff from Horizon Air, Transport Canada, Aeroguard Security and airport security.”

The x-ray equipment is located in the bag make-up room and the screening

process will not affect the majority of U.S.-destined passengers, Sellick said. Only passengers whose bags require further inspection after passing through the EDS unit will have their bags examined by hand. Hand inspections will be conducted in the departure room with the passenger in attendance. Cleared bags will then be returned to the bag room for loading onto the aircraft.

In the coming months, further measures will be put in place at Kelowna International to conduct explosives inspections on all baggage traveling on domestic flights, Sellick added.

British Airways Posts Loss For Fiscal Year

British Airways reported a loss for the fiscal year ended March 31 of 129 million pounds (\$184.5 million), compared with a net profit of 81 million pounds a year earlier.

Chief executive Rod Eddington said he was “determined” to return the business to “acceptable levels of profitability.”

The airline has announced 13,500 job cuts since August. It also has cut capacity and eliminated routes in an effort to reduce costs and remain competitive.

“We have had to take a series of

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tough decisions this year to protect British Airways for the long term. It has meant sacrifice and hardship for our people," Eddington said. "The market is expected to remain soft, but the swift and decisive actions we have taken show we are determined to return the business to acceptable levels of profitability."

Debt Rating Of Westralia Airports Corp. Affirmed

Moody's Investors Service affirmed the underlying senior secured debt rating of Westralia Airports Corp. (Perth Airport) at Baa3, and maintained the negative outlook following the company's recent announcement regarding stamp duty liability.

Short-term cash flow considerations continue to be of concern, Moody's said. The situation has been exacerbated by a recent assessment of an A\$33.7 million stamp duty plus penalty by the Western Australian Office of State Revenue, related to share transfers done to 2001. The final outcome of this assessment is uncertain and it is expected that the issue will not be finalized soon.

Perth Airport has received legal advice that rejects the validity of the assessment, but is in the process of negotiating funding to meet the entire liability should it be required to do so, Moody's noted. However, legal costs and additional interest payments will add pressure to the short-term liquidity of the company. In addition, liquidity

lines, which mature shortly, have yet to be replaced and while negotiations are being undertaken Moody's maintains its negative outlook on Perth Airport.

Nonetheless, Moody's said the Baa3 rating is supported by the fundamental credit strength of Perth Airport, which includes its monopoly position as the only airport serving Perth's strong origination and destination market. Passenger numbers are recovering from the demise of Ansett and uncertainty resulting from the terrorist events of Sept. 11 2001, with international numbers performing better than domestic. Overall revenue has been very close to budget. Shortfalls in retail, commercial and ground transport revenue have been compensated for by domestic landing fees and property revenue ahead of budget, Moody's said.

U.S. Grants American Airlines DFW-Buenos Aires Rights

The U.S. Department of Transportation (DOT) granted American Airlines the right to operate seven weekly flights between Dallas/Ft. Worth and Buenos Aires, Argentina. The award will remain in effect for a two-year period.

In taking this action, DOT noted that, given the economic uncertainty prevailing in Argentina and the concerns of other U.S. airlines who had voiced a long-range interest in Argentina service (Continental Airlines, Delta Air Lines,

and United Air Lines), it was not prepared at this time to grant American the permanent authority for this service that it had requested.

DOT stated that it will continue to monitor the U.S.-Argentina market with the hope of instituting a new proceeding in late 2003 or early 2004 for permanent award of the authority.

American Airlines proposed to begin service by Nov. 1, 2002.

Virgin Atlantic Posts Loss For Fiscal Year

Virgin Atlantic announced a 90 million pound (\$130 million) loss for the 12 months ending in April, and cited the Sept. 11 terrorist attacks in the U.S. as a contributing factor to the poor results.

In the year ending in April 2001, the company registered a profit of 45 million pounds (\$65 million).

Airline officials, however, said the carrier made a profit of 5 million pounds (\$7.2 million) in the three months ending in April, the first quarterly profit since the attacks.

"After Sept. 11 we moved more quickly and decisively than our rivals to restructure the airline to match the new demands of the market place," Virgin Atlantic chairman Richard Branson said. "It's a tremendous achievement to register a trading profit in the last three months after the terrible challenges the airline faced last year."

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

Moody's Investors Service has assigned an A1 rating to the upcoming \$270 million sale of Series A and Series B long-term bonds of the **Ottawa Macdonald-Cartier (Canada) International Airport Authority**. The rating outlook is stable. Moody's said the rating recognizes the airport's strong underlying credit fundamentals, which include a large air market service area centering on the nation's capital, a manageable capital program, and a relatively modest level of debt.

Signaling a return to more normal market demand, Varig Brazilian Airlines announced that it will reinstate nonstop flights from **New York's Kennedy International Airport** to **Rio de Janeiro** four times per week, effective July 4.

American Airlines announced that its new codeshare agreement with **Swiss** will add 20 new European destinations that can be reached via Zurich. American will put its AA code on Swiss' eight daily transatlantic flights between Switzerland and seven U.S. gateways, as well as on Swiss flights beyond Zurich to 20 new points in Europe. Swiss' U.S. gateways are Boston, New York Kennedy, Newark, Washington, Chicago O'Hare, Miami and Los Angeles. Swiss, in turn, will place its code on American's two daily transatlantic flights between Zurich and its U.S. gateways of Dallas Fort Worth and New York Kennedy.

Qatar Airways has signed a financing agreement worth \$560 million for the acquisition of four Airbus A330-200 aircraft. The first aircraft joined the Qatar Airways fleet in mid-May; the second is due in July, with further deliveries in spring 2003.

LanChile is expanding its U.S. route network with the introduction of service from five new west coast cities as part of its codeshare alliance with American Airlines. Passengers are now able to travel from San Jose, Calif.; Phoenix, Ariz.; Oakland, Calif.; San Diego, Calif, and Las Vegas, Nev., through

LanChile's Los Angeles gateway to a variety of destinations throughout South America.

United Airlines announced that it would begin new daily nonstop service to **Buenos Aires, Argentina**, and **Sao Paulo, Brazil**, from **Washington Dulles International Airport**. The new flights will start on Oct. 29 and will be flown using Boeing 767-300 aircraft configured with three classes of service.

JFK IAT LLC, manager and developer of the new Terminal 4 at **New York's Kennedy International Airport**, announced that Nigeria Airlines, Afrinat Airlines and Southeast Airlines all have signed agreements to begin international service from the new 1.5 million square foot Terminal 4. The three new additions bring to 43 the total number of airline partners serving Terminal 4.

Delta Air Lines announced it will codeshare with South African Airways on flights from **Johannesburg, South Africa**, to **Lusaka, Zambia**, beginning June 1.

James Howes is the new general manager of the **Bermuda Department of Airport Operations**, the Ministry of Transport announced. Howes, who began his new position on May 1, has 30 years experience in aviation and is a licensed commercial pilot. He comes to Bermuda from Florida where, from 1980 to 2001, he was executive director of the St. Petersburg-Clearwater International Airport, a 2,000-acre facility that is part of the largest U.S. Coast Guard Air Station in the world.

Boeing Air Traffic Management (ATM) announced it has signed a contract with **Beijing Capital International Airport Co. Ltd., Civil Aviation Administration of China (CAAC)** to conduct a study of the Beijing Capital International Airport terminal maneuvering area and ground operations. The study is expected to take six months to complete. Air traffic levels at BCIA are expected to double over the next eight years. In response, a third runway will be added to the airport by 2004. The Boeing

ATM study will help the CAAC ensure that the expansion will meet the airport's long-term capacity needs, including the expected spike in air traffic associated with the 2008 Olympic Games.

Vienna International Airport operator Flughafen Wien said it is the majority partner in a consortium that bought 40 percent of **Malta International Airport** from the Maltese state. Flughafen Wien holds 53.24 percent of the consortium and contributed some 26 million euros towards the cost of buying the stake. The Maltese government awarded the Malta International Airport consortium a 65-year contract to run the hub. The state retains the remaining 60 percent stake in the airport.

Cathay Pacific Airways said that it will reinstate its twice daily, nonstop Boeing 747-400 service between **Los Angeles** and **Hong Kong**, starting Aug. 1.

Canada's **Winnipeg Airports Authority Inc.** reported first quarter net income of \$2.6 billion compared with \$3.6 billion in 2001. Passenger traffic for the first quarter of 2002 was 606,000, a decrease of 16.4 percent from 2001. Commercial aircraft movements for the first quarter decreased by 10.9 percent.

Low-cost carrier **Ryanair** is seeking compensation from the U.K.'s air traffic control service over flight delays and cancellations. Michael O'Leary, the Irish based carrier's chief executive, asked Britain's Transport Minister Stephen Byers to force NATS to refund fares to passengers whose flights have been canceled. In his letter O'Leary said, "We hope that other airlines will join in this call and bring about some urgent and much-needed change at NATS." The major shareholders in NATS, which is partly privatized, are a group of seven U.K. airlines, which hold a 46 percent stake, and the U.K. government.

Full year losses were reported by two of Japan's leading airlines. **Japan Air System** said profits were down by 58 percent last year while **All Nippon Airways** posted a net loss of \$42 million.