

# INTERNATIONAL AIRPORTREPORT

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## Canada, U.K. To Cooperate On Air Traffic Services

National Air Traffic Services (NATS) of the U.K. and NavCanada have signed an agreement designed to foster increased collaboration between the two companies.

The agreement will reduce development and in-service costs for oceanic systems through a joint development and funding strategy, the companies said. The two countries also will examine how the skills and experience of the organizations can be combined. Other potential collaboration areas include training, benchmarking performance and the development of new markets.

NATS is already in advanced discussions with NavCanada to use a development of the Gander Automated Air Traffic System to replace its oceanic flight data processing system. The system, to be known as the Shanwick Automated Air Traffic System will incorporate NATS' expertise in a number of key areas, with NATS staff seconded to work in Ottawa with NAV CANADA.

The first operational product of the relationship is the joint trial of Controller Pilot Data Link Communications designed to improve the quality of communications and reduce the cockpit workload for pilots. NATS is using an evolution of the NavCanada Future Air Navigation System gateway technology, incorporating NATS' Human-Machine Interface.

## European Commission, U.S. At Odds Over Bilaterals

Despite widespread reports that the European Court of Justice's Nov. 5 ruling prohibited European Union members from negotiating aviation bilaterals with the U.S., the court's decision only attacked bilateral provi-

sions that are contrary to European Union law, U.S. DOT Associate Deputy Secretary Jeff Shane told the American Bar's Association's Forum on Air and Space Law on Nov. 8 in Hollywood, Fla.

Shane said the court found the following provisions contrary to EU law: ones that involve slot allocation, govern the pricing of intra-Europe air services, address computer reservations systems, and reserve rights under the agreements to flag airlines of the nations signing the agreements. This means that aspects of bilaterals that don't come under these prohibited categories "remain legitimate fodder for bilateral negotiations," he said.

Terming the court's ruling "unsurprising," Shane said none of the bilaterals in question contain any provisions that allocate airport slots. Further, he said the rejection of provisions governing the pricing of intra-European air services won't affect the pricing opportunities available to U.S. airlines today.

The prohibition of provisions that address CRS systems has been overtaken by events, Shane pointed out, since both the U.S. and the EU have CRS rules and no U.S. airline individually owns a CRS. "Some of our open skies agreements even include an explicit statement acknowledging that in the event of a conflict between EU rules and the rules set forth in the agreement, our EU partners will have to abide by the EU rules," Shane explained. "Therefore, the continuing requirement for these CRS provisions in open skies agreements with our EU trading partners seems open to question."

The court's ruling against provisions allowing the U.S. and an open skies partner to prohibit air services by any airline that isn't a flag carrier of one of the two countries—so-called nationality clauses—"is likely to have the most far-reaching implications," Shane said. He

noted, however, that the U.S. "is prepared to look creatively at nationality clauses" and is promoting inclusive agreements. He pointed to a multilateral open skies agreement negotiated by the U.S. a few years ago with Brunei, Chile, New Zealand and Singapore. Peru has since joined the agreement. "We have actively encouraged other trading partners... to join as well," Shane said.

Although the court "did not and could not" give the European Commission (EC) a mandate to negotiate air services agreements on behalf of its member nations, Shane noted, "We have said for many years that we look forward to the day when U.S.-EU negotiations will be possible." He pointed out, "We might have saved a lot of money and a lot of time if we could have negotiated with the commission in Brussels instead of conducting talks with the member states one by one."

Meanwhile, the EC asked member states to revoke their aviation agreements with the U.S., a movement that the U.S. Transportation Department said "would be an enormous mistake."

The EC called for important new powers, including the right to scrutinize international air agreements on competition grounds. It has demanded a mandate to negotiate a replacement air services treaty on behalf of the entire European Union.

## BA Chief Executive Calls For New Bilateral Regime With U.S.

British Airways Chief Executive Rod Eddington has called on European nations to join together to end what he described as "America's protectionist aviation policies."

Speaking Nov. 20 at the Institute of Economic Affairs annual conference in London, Eddington said joint action is the only way Europe "can rebalance a one-sided air treaty the USA had

pursued" and he appealed to the British government to throw its weight behind the cause.

"Over the last year the playing field has tilted even further in favor of the U.S. airline industry, as its government has provided massive financial support. We estimate that to date a total of \$9 billion has been handed out in cash grants since Sept. 11," he said.

Eddington said the European Union should be given a mandate to negotiate "a more balanced and liberal aviation agreement with the United States."

### Ryanair Proposes Second Terminal At Dublin Airport

Ryanair recently unveiled its plans for an independent second competing terminal at Dublin Airport.

The proposed facility, to be known as T2, will cost EUR114 million to develop and will accommodate up to 10 million passengers annually, almost doubling the capacity of Dublin Airport, the company said. Ryanair's plans also allow for the development of two multi-story short-term garages and two new international hotels.

Ryanair said its proposals have received the support of other existing airport users at Dublin, as well as two hotel companies.

### Los Angeles, Beijing Sign Airport Agreement

Los Angeles Mayor Jim Hahn on Nov. 22 announced an agreement between Los Angeles World Airports (LAWA) and Beijing Capital Airport Group of Beijing, People's Republic of China, to expand the relationship between LAWA and the Capital City, and exchange information regarding new developments in air traffic and airport operations.

Special emphasis will be placed on the use of modern technology to increase the efficiency of airport facilities; management structure and work procedures with respect to aircraft, passenger and cargo handling; and problems and procedures with respect to noise abatement and environmental

protection.

Senior management representatives of the two airports will meet at least once a year, with the meetings to alternate between Los Angeles and Beijing.

The memorandum of understanding is similar to a long-standing agreement between LAWA and the Korea Airports Authority, and one announced last year with Incheon International Airport Corp. of Seoul, South Korea. Korean airport officials have visited LAX a number of times to familiarize themselves with airfield operations and security systems and procedures.

### Pilots Endorse Universal Access Identification Card

The U.S.-based Air Line Pilots Association (ALPA) congratulated Canada's Transport Minister David Collenette for adopting 21 recommended enhancements to airport security, including a form of "universal access" identification card.

ALPA said this represents a major step toward providing needed improvements to security at the nation's airports. "Although the U.S. Transportation Security Administration appears to be headed toward a similar move for U.S. airports and airlines, it has yet to make such an announcement," ALPA noted.

### Moody's: Negative Outlook For Latin, Caribbean Airports

The near-term outlook for airports in Latin America and the Caribbean is negative, Moody's Investors Service said in a new report. Chief among the challenges facing airports in the region are the weakened airline industry, economic recession, and the prospect of war in Iraq, Moody's said.

"The ability of airports to maintain adequate liquidity positions will be a key rating factor going forward, given the depressed traffic levels a war with Iraq would likely bring and the weakened state of the airlines," said the report's author, Moody's Senior Vice President Adam Whiteman.

Airline passenger traffic has been depressed throughout the Western

Hemisphere, but exactly to what degree varies from route to route, Moody's said. Long-haul international traffic between Europe and North and South American destinations has been slow to rebound since Sept. 11, 2001. Airports such as the International Airport in Mexico City that serve large domestic route systems have tended to be affected to a lesser degree.

"The financial and operational impact that a war with Iraq would have on the air transport industry is further darkening an already cloudy picture," said Whiteman.

During the last Gulf War, Moody's observed that it took six-10 months for passenger traffic to return to pre-war levels.

"The current situation is a bit more complicated in that the airlines and airports are already in a fairly weakened state, having cut capital and operating expenses to close the revenue gaps of the past fiscal year," said Whiteman. "It isn't clear how many additional cuts can be made given the capital-intensive nature of the business."

The region is dominated by American Airlines, weak national carriers, and, to a lesser degree, by Continental, Delta, and United airlines.

From an airport's perspective,

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## INTERNATIONAL AIRPORT REPORT

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Moody's says this dependence on a few carriers makes near-term planning difficult and there can be a negative impact on operations and finances in the event of an airline bankruptcy or retrenchment.

### **U.K. Acts On United, British Midland Pact**

An alliance between British Midland Airways and United Airlines will provide benefits to consumers that outweigh its anti-competitive effects, the U.K.'s Office of Fair Trading (OFT) ruled.

The agreement between the two carriers provides for cooperation on transatlantic services between London's Heathrow airport and the U.S. The OFT said it expects the alliance to create benefits for consumers such as new and improved connecting and nonstop services.

The agreement can't take effect, however, until bilateral restrictions are lifted that prevent British Midland from operating flights between London Heathrow and the U.S., the OFT said. The OFT noted that removal of restrictions in air services between the two countries "has recently been the subject of discussions between the U.S. and U.K. governments. The discussions are still on-going."

### **Sydney Airport Traffic Rebounds in October**

International passenger traffic at Sydney Airport was 11.9 percent higher in October 2002 compared to October 2001, officials reported.

International visitor numbers from Australia's traditional tourist markets improved markedly during October 2002 and was the main reason for a return to positive passenger growth, officials said. U.S. passenger numbers in October were well above September, while the number of Japanese travelers grew at a record rate.

### **Mexico To Delay Privatizing Two Airlines**

Mexico's government-owned airline

holding company, Cintra SA, said conditions currently aren't favorable to privatize Aeromexico and Mexicana.

Cintra said the decision to put off the planned sale follows a recommendation by Merrill Lynch & Co., which the company hired as financial adviser for the privatization. "The board recognizes that in the short term conditions are not favorable for the sale," Cintra said in a press release, adding it will continue to prepare the paperwork for an eventual sale.

The two airlines control around 80 percent of domestic airline traffic.

### **American, British Airways Unveil Codeshare Pact**

American and British Airways once again have petitioned the U.S. Transportation Department for approval of a codesharing agreement.

Although rejected by the department twice before, the carriers said this time they only are requesting authority to offer codeshare services permitted under the current provisions of the U.S.-U.K. bilateral. The application excludes codesharing on each other's transatlantic services between the U.S. and London.

### **Delta, Colombian Carriers Form Marketing Alliance**

Delta Air Lines and Alianza Summa have formed a commercial alliance that includes codesharing on routes between and within Colombia and the United States. Alianza Summa consists of the Colombian airlines Avianca, SAM and Aces.

The airlines said they plan to begin codeshare flights by early summer of 2003, pending government approval, with Delta placing its code on all Alianza Summa flights from Colombia to New York, Miami and Fort Lauderdale, as well as to several interior Colombia markets. Alianza Summa would place its code on Delta's Atlanta-Bogota flight as well as to several interior U.S. markets.

The two airlines also said they will aggressively pursue other opportunities. The carriers said they visualize a

relationship that includes reciprocal frequent flyer cooperation, enhancement of computer reservations systems and sharing of facilities and passenger handling in jointly-served cities.

### **All Nippon Airways Forecasts Loss For Year**

All Nippon Airways is forecasting a second straight full-year loss as competition on key domestic routes continues to depress revenues.

The airline posted a group net loss of \$66 million for the six months ended in September.

Carrier officials said they expect no improvement in business in the second half, and predicted another substantial loss.

### **European Airlines Plan Effort To Bolster Visibility Of Aviation**

The Association of European Airlines (AEA), at a Nov. 15 general meeting, determined to increase lobbying efforts "to reposition aviation on the radar screen of the European Union institutions."

"This has been one of the most important meetings we have had in recent years," Leo van Wijk, CEO of KLM and AEA chairman, commented.

"The economic sustainability of Europe's air transport system is at stake" he said. "Aviation is a highly competitive industry and extremely important as a lubricant for European economic growth. The post-9/11 discussions we have experienced on insurance premiums, security costs and taxation issues have been 'eye-openers' for us.

"We are, therefore, convinced that the industry and the European governments and EU institutions must intensify the discussions on how best to make airlines more viable in the interest of the users and producers of Europe's air transport infrastructure. For example, we are faced with costs we cannot control. That is not new, but this time our margins are decreasing and absolute costs are increasing fast. Airports, air traffic control and other service providers need to be incentivized to increase their cost efficiency."

## News From Around The World

Mercury Air Group announced that its subsidiary, Maytag Aircraft Corp., a U.S. government services contractor, has received an extension of its contract to provide air terminal and ground handling Services at **Al Mubarek Air Base (Kuwait City International Airport, Kuwait)** for an additional six months. The contract extension is valued at an estimated \$2 million.

FedEx Express has submitted its application to the U.S. Department of Transportation for 12 new frequencies to **Hong Kong**. These new flight frequencies were made available under a recently negotiated U.S.-Hong Kong bilateral agreement. Additional fifth freedom air rights through Hong Kong will allow FedEx Express to better serve the marketplace with expanded access to Asia from the U.S. and Europe, as well as within the Asia-Pacific region, the company said. Currently, FedEx operates 194 flights per month and 44 charter flights into and out of Hong Kong, with more than 12 million pounds of capacity per month.

HMSHost Corp. was awarded food and beverage development rights for the new Terminal 1 at **Toronto's Lester B. Pearson International Airport**, scheduled to open in October, 2003. The contract carries a term of 10 years and is expected to generate revenues in excess of \$300 million over the life of the agreement. Entitled Toronto: Modern Mosaic, HMSHost's food and beverage program will showcase the city's diversity through 23 concepts that reflect Toronto's variety of neighborhoods, cultures and architectural styles.

Scott McMaster, president of HDS Retail North America, announced that HDS has been awarded the news, book and retail concessions at both **Ottawa** and **Toronto International airports**.

Virgin Atlantic Airways will become the first airline to operate nonstop services between **London** and **Port Harcourt, Nigeria**. The services, which

will begin in January 2003, are a result of an agreement that Virgin Atlantic has concluded with the Nigerian authorities and Nigeria Airways.

LanChile said that reservations from overseas travelers to **Chile** during January and February 2003 are up year-over-year by more than 50 percent. Destinations such as Iquique, Puerto Montt, Coyhaique and Punta Arenas are among the most popular Chilean destinations for travelers from the United States and Europe.

JFK IAT LLC, developer and manager of the new Terminal 4 at **JFK International Airport**, announced that Malev Hungarian Airlines began service from the terminal on Nov. 2. Malev relocated from Terminal 3.

Virgin Blue in mid December will move into the terminal previously occupied by Ansett Australia at **Sydney Airport**.

Qatar Airways, the international airline of the **State of Qatar**, will fly four times a week from Manchester to the airline's Doha hub beginning in April 2003. The new service increases the number of U.K. flights from 11 to 15 per week.

BAA plc said that its seven **U.K. airports** handled a total of 11.4 million passengers in October, an increase of 16.2 percent over the same month in 2001. In comparison to October 2000, traffic growth was 2.3 percent. Each of the airports, with the exception of Southampton, recorded increases in October 2002. Heathrow was up 22.4 percent, Stansted increased 24.2 percent and Gatwick grew by 5.5 percent. Cargo tonnage rose by 13.2 percent in October, but was still down 4 percent on the volume recorded in October 2000.

Fraport AG reported that passenger traffic growth at **Frankfurt Airport** rose 13.6 percent in October compared to October 2001. To accommodate anticipated growth, Fraport said it will spend EUR 3.3 billion by 2015 to expand the airport. Fraport plans to build a landing

strip northwest of the airport and a new terminal to the south to accommodate an extra 25 million passengers. Public hearings and a formal zoning application for the project are scheduled for next year.

Officials at **Helsinki-Vantaa Airport** reported that the airport's third runway opens for traffic on Nov. 28. The hourly capacity of Vantaa's two-runway arrangement is at most 43 operations in the winter and 48 in the summer. The third runway, built parallel to the present main runway, will be able to double this. However, because the new runway will be phased in gradually, the airport will initially have a capacity of 50 operations per hour.

Varig and Air Canada are implementing a codeshare arrangement to expand their reach in **North and South American markets**. Effective Dec. 5, Air Canada's network will grow to serve Rio de Janeiro, Porto Alegre and Salvador in Brazil as well as Buenos Aires, Argentina and Santiago, Chile, on flights operated by Varig. At the same time, Varig's network will grow to serve Montreal, Ottawa, Calgary and Vancouver on flights operated by Air Canada.

Northwest Airlines said it will introduce daily service to **Mexico City** from **Memphis**, beginning Feb. 13, 2003.

China Southern Airlines said that it has taken delivery of its fourth Next Generation Boeing 737-800 aircraft.

The Bulgarian government plans in mid-2003 to sell a 49 percent stake in a new national flag carrier, according to published reports. The new airline, called **Balkan Air Tour**, was set up this month to succeed flag carrier Balkan Airlines and take over its assets, destinations and staff. Balkan Airlines will be liquidated, while Balkan Air Tour is expected to begin its first flights in December.

**Aeroflot** has agreed to acquire 18 Airbus planes aircraft.