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Airlines Adjust Routes Due To Middle East Crisis

The world's airlines began adjusting flight schedules March 18 as indications increased that hostilities would begin between the U.S. and Iraq.

British Airways said it would cancel flights to Kuwait and Israel in response to Foreign Office warnings to British citizens to leave those countries. BA's British staff in those countries will also be leaving, the airline said. BA said it hasn't decided where to redeploy the aircraft used on these flights.

Lufthansa said it had no immediate plans to cancel the 84 flights a week it operates between Germany and the Middle East. Lufthansa's schedule includes seven flights a week to Iran, 17 to Israel, three to Kuwait, nine to Saudi Arabia, 21 to Egypt, three to Oman, 11 to the United Arab Emirates, four to Sudan, four to Jordan and five to Lebanon.

Air France Group said it also had no immediate plans to suspend flights. However, the company said it would waive some restrictions on ticket exchanges in response to tensions in the Middle East.

Qantas Airways announced contin-

gency arrangements for individual ticket holders affected by the military uncertainty. The Qantas policy will offer flexibility to all individually ticketed customers on Qantas services ticketed in North America (U.S., Canada, Mexico). The policy allows them to make a one-time change to their travel plans without paying the standard change fee only in the event of a military action or a U.S. Homeland Security-issued Level Red Alert.

Further, Qantas said it will cut the equivalent of another 1,000 jobs since bookings fell off due to the pending Middle East military situation. "Qantas, along with many other international airlines, is expecting a 15 percent to 20 percent fall in demand for international air travel," the company said.

SAS and Finnair said they would not close any routes due to the conflict.

Aeroporti di Roma Gains Additional Financing

Aeroporti di Roma S.p.A., which operates Rome's two international airports, reported that it significantly improved its financial structure and flexibility with a euro 1.845 billion asset-backed financing in late February.

The financing, arranged by Barclays Capital and Mediobanca, was strengthened by a triple-A-rated guarantee on euro 1.2 billion of asset-backed notes by Ambac Assurance U.K. Limited.

Aeroporti di Roma holds the concession to run Rome's Fiumicino and Ciampino Airports until 2044. The airports, formerly owned and run by the Italian government, were privatized in a series of transactions that began in 1997.

IATA Claims New Heathrow Charges Are Excessive

The International Air Transport Association (IATA) criticized as "excessive"

increased charges approved by the U.K. Civil Aviation Authority for London's Heathrow Airport.

The charges would increase at Heathrow by 9 percent, effective April 1, followed by increases of 5.6 percent above inflation for the following four years. These increases are intended to help pay for future airport infrastructure investment.

In total, the airlines would be asked to pay 40 percent additional costs on top of inflation, IATA claimed, saying these costs would "inevitably" have to be paid for by passengers through higher fares.

"The proposed increases are excessive and unacceptable to the airlines, especially now when they are just starting to get back on their feet. In addition, the idea of paying today to use the airport in the future is absurd," said Giovanni Bisignani, IATA director general and CEO.

Bisignani said that, "Air transport is going through one of the worst crises in its 100-year history and the proposed increases are counterproductive to the effort the airlines are making toward stabilization and recovery."

The proposed charges would help BAA recover in advance its investment in future infrastructure, including the planned Terminal 5. "The airlines should not be expected to pre-fund an airport's investment, nor should their passengers be asked to pay now for future services they may never use," Bisignani stated.

BAA plc, however, welcomed the final decision on the price control formula at Heathrow, Gatwick and Stansted. BAA Chief Executive-designate Mike Clasper said, "As expected, the final formula is tough, but realistic. It will enable us to proceed with our 10-year 7.5 billion (pound) program to deliver infrastructure improvements at all three London

Upcoming Events

June 30-July 2—Dubrovnik, Croatia...Europe/U.S. Airport Privatization and Terminal Concessions Development Workshop.

October 1-3—Targu Mures, Romania...Europe/U.S. Airports and Tourism Development Workshop.

November 9-12—Prague, Czech Republic...Ninth Annual U.S./Central Europe Airport Issues Conference.

airports.”

Canadian Government Proposes New Transport Policy

Canadian Transport Minister David Collenette recently unveiled a new transport policy and said the government would introduce legislation that would provide concrete steps to preserve and improve competition in the transportation sector.

Under the proposals, Air Canada and low-cost rival WestJet would be forced to interline with other Canadian carriers. Air Canada already has some interlining agreements, which allow which smaller carriers to take advantage of larger airlines’ networks. But WestJet has chosen not to have them.

The government said it would not seek to raise the maximum foreign ownership stake in Canadian airlines to 49 percent from the current 25 percent.

U.K. Proposes Option To Increase Gatwick Capacity

The U.K.’s Department for Transport released an updated “consultation document” for options to handle increasing demand in the country’s southeastern region, and included an increase in capacity at Gatwick as a way to address the country’s aviation capacity issues over the next 30 years.

The original proposals, issued in July 2002, included new runway possibilities for several airports, but not Gatwick. Local officials challenged the conclusion and, in November, the U.K.’s top court said that not considering a new runway for the airport was wrong. Rather than challenge the decision, the government said it would revise the plans and issue a new document.

“Accordingly, there are two options for a single new runway at Gatwick and one option for two new runways there,” Transport Minister Alistair Darling told the House of Commons. “The papers also set out alternative assumptions on the timing of these Gatwick options,” he noted. The document is one of a series that look at aviation infrastructure options throughout the U.K. for the next

three decades.

The government is seeking input on all of the ideas, and plans to publish a white paper later this year recommending what steps to take. The original comment period was slated to end in November 2002. In light of the Gatwick revisions, however, the process will extend through June 30, 2003.

Aeroports de Montreal Reports 2002 Revenues

Aeroports de Montreal reported consolidated revenues totaled \$197.3 million in 2002, representing an increase of \$14.9 million or 8.2 percent compared with 2001. With the exception of revenues generated by aeronautical activities, all other revenue categories, especially airport improvement fees and interest income, posted increases over the previous year, the company said.

In 2002, the company noted that it proceeded with the expansion program at Montreal-Dorval International Airport, the first elements of which will enter into service in 2003. As of Dec. 31, 2002, Phase I of expansion work was 80 percent complete. The new transborder jetty is to be inaugurated in April as planned, while expansion of the main terminal building to the northeast is to be completed by July of this year. Work on Phase II, including the new arrivals handling facilities and the construction of a new international jetty, was also initiated late in 2002.

Corporate investments in 2002 totaled nearly \$160 million, compared with \$80 million in 2001, officials said. Expansion at Montreal-Dorval alone necessitated the investment of \$136 million during 2002. The sources of funds used for investments in the facilities included airport improvement fees or AIFs (\$50.2 million), cash flow generated by airport operations (\$22.2 million) and long term debt (\$87.6 million).

Operating expenses amounted to \$105 million for the year under review, down \$13.4 million or 11.3 percent from 2001. This decrease was due to the reduction in carrying charges on long-term debt that was refinanced in the

second quarter, as well as to the containment of controllable expenses throughout the year. However, this was partially offset by the increase in security and insurance costs that followed in the wake of 11 September 2001.

During the year, Aeroports de Montreal generated a surplus of revenues over operating expenses of \$27.2 million, an increase of \$11.2 million or 70.4 percent compared with 2001.

Ryanair Announces Plans For buzz Operations

Discount carrier Ryanair announced it would launch improved service May 1 on 13 routes operated by no-frills carrier buzz to France, Germany and Spain. Ticket prices will be cut in half to promote the service.

Ryanair, which announced in January that it would pay KLM 23.9 million euros (\$24.7 million) for buzz, will headquarter the airline at London’s Stansted Airport.

Moody’s Lowers Rating On Aruba Airport Bonds

Moody’s Investors Service lowered the rating on the \$72 million Series 1997A and 1999 revenue bond debt of Aruba

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Airport Authority to Ba1 from Baa3. The rating outlook is negative.

Moody's said this rating action reflects continued weakness in the airport's tourist-based air service market. Also considered was the potential for further near-term stress on the airport's financial operations, given the tourist-based economy and the dependence on the U.S. market.

The 2003 budget is based on a 1 percent passenger growth forecast that Moody's said may be too optimistic.

Australian Air Ready To Launch Major Expansion

Australian Airlines said it will launch its first major expansion with the addition of two 767-300s to its fleet. The airline said it would increase service on some existing routes, commence flights to Bali from Sydney and Melbourne by the end of July and introduce international services between Cairns and Sydney from the middle of the year.

Australian Airlines Chief Executive Officer Denis Adams said the response to the Australian Airlines concept since the carrier commenced flying in October last year had been extremely positive.

"We are currently operating nearly 30 flights a week between Cairns and six Asian destinations as well as connecting services for international passengers between Cairns and the Gold Coast," Adams said.

BA Chairman Calls For Priority Status For Open Skies

British Airways' chairman Lord Marshall called for the European Commission's mandate for negotiating open skies between the EU and U.S. to be a "trail blazing priority."

Governments have to change the 59-year-old economic regulatory framework with which international air transport is still saddled, he told delegates at an international aviation conference.

Unlike other business sectors, such as

telecommunications, banking and the car industry, air transport was just playing at globalization due to the straitjacket of national sovereignty and archaic ownership rules, he added.

"We are the only business sector where capacity, prices and participants are controlled by the state. Because of it, our system of international alliance based on cooperative agreement remains substantially impotent and fragile. For all their evident worth, the current systems of alliance partnerships are, in reality, poor excuses for genuine global business development."

"Our global carriers are crying out for consolidation—for cross border merger, acquisition and joint equity venture, in the same way as the intra-Europe airlines. There are simply too many global hubs and too much global capacity in Europe," Marshall said.

The present crisis in the Middle East could trigger consolidation in Europe where there is already "airline blood on the walls" and in the end there could be only three global airlines in Europe, Marshall predicted. "Let me assure you that we want to see the development of a truly European air transport industry, with the commission taking on overall responsibility for air service negotiations with other countries, and for competitive issues for all aviation," he concluded.

Deutsche BA Sets Plans For Discount Market

British Airways' German carrier Deutsche BA said it is developing plans to succeed as a discount airline, despite easyJet's decision not to purchase the company.

There are no plans to shut down the airline now that the sale has been called off, BA said. Instead, the carrier will add service to Nice and Malaga at the end of March. British Airways, however, said it is still planning to sell the airline.

EasyJet said it had made the decision to back away from the deal because of two "insurmountable hurdles"—its

inability to win new agreements from DBA staff and a substantial deterioration in the performance of all German airlines.

Ray Webster, easyJet's chief executive expressed disappointment about the situation. "Despite months of exceptionally hard work... there have been two insurmountable hurdles," he said. "Firstly, the rigidity of German labor laws has made it impossible to get acceptance of easyJet conditions of employment from key staff groups, despite numerous attempts and different approaches.

"Second, since we negotiated the option there has been a substantial deterioration in the financial performance of all airlines in the German market, including DBA. This is in large part due to the specific characteristics of the German market and in particular the highly aggressive pricing policies of Lufthansa.

"It is disappointing that we have had to make this decision. However, we always made it clear that we would not compromise the easyJet business model," Webster explained.

IAAE-Central Europe Holds First Meeting

The International Association of Airport Executives-Central Europe held its inaugural conference in Budapest, Hungary, Jan. 24-26 and focused on the effects of European Union expansion on Central European airports.

Representatives from several Central European airports (Beograd, Vienna, Dubrovnik, Copenhagen, Targu Mures, Salzburg, Split and Zagreb) provided an outlook on near-term developments at their facilities. The 35 meeting participants also discussed the possible privatization of airports.

IAAE-Central Europe will meet next in Dubrovnik, Croatia, during the June 30-July 2 Europe/U.S. Airport Privatization and Terminal Concessions Development Workshop, sponsored by AAE and IAAE.

News From Around The World

Total scheduled international passenger traffic increased by 11 percent in January over the same month in 2002, according to the International Air Transport Association (IATA). All regions had positive revenue passenger mile growth in January with **Middle Eastern** carriers leading the way at 24.83 percent, IATA said.

Qatar Airways will begin flying to **Rome, Manchester, Kochi and Islamabad** in the next couple of months, extending its route network to 42 global destinations.

US Airways filed an application with the U.S. Department of Transportation for route authority to operate nonstop roundtrip service between Fort Lauderdale, Fla., and **Bermuda**. The airline is seeking approval to begin seasonal summer service in June 2003 and said it would serve the market year round when market conditions permit. Flights will be operated using Airbus A319 aircraft.

French carrier Air Jet has been put into receivership after filing for bankruptcy. The Paris-based carrier, which flew charter services and codeshare flights on behalf of Air France, has suspended domestic services from **Paris to La Rochelle and St. Etienne**. Despite an injection of euro 1.2 million from new investors, the airline has continued to struggle with liabilities. Air Jet started operations in 1980 and was originally part of Jet Services.

Tecnomatix Technologies, Ltd. announced that **Moscow's Domodedovo International Airport** has purchased several eM-Plant licenses to help plan a number of improvements to the airport's passenger terminal. Domodedovo International Airport—one of Russia's largest and fastest growing airports—services passengers throughout Russia, Europe, Asia and the U.S. Domodedovo International is using eM-Plant to plan the reconstruction of its international terminal, predict passenger flow and schedule day-to-day

passenger services operations. eM-Plant enables the modeling and simulating of production systems and processes, allowing optimization of material flow, resource utilization and logistics for all levels of plant planning.

China Southern Airlines said it has reached agreement and has begun code share flights with Shandong Airlines on 15 domestic routes. The new codeshare agreement is a comprehensive program on nearly 70 flights that originate, arrive ~~or stop over~~ **Guangzhou, Beijing, Shanghai, Jinan or Qingdao**.

SITA said it deployed the world's first, XP-based Common Use Terminal Equipment (CUTE) system at **Toronto Pearson International's T1-new terminal**. SITA's next generation CUTE XP is a shared use software, hardware and network solution that enables airlines and handling agents at an airport to securely access their applications from workstations, printers and other devices employed by any and all users. This is SITA's largest CUTE implementation airport project, and one of the world's most comprehensive shared use technology deployments, the company said. CUTE XP is designed to be scalable for airports and airlines of all sizes and is available in wireless, dial-up and lite versions.

Telephonics Corp., a wholly owned subsidiary of the Griffon Corp., announced that it was awarded three contracts valued at approximately \$7 million from **South Korea and Sanya, China**. Under these contracts, Telephonics will supply its commercial AeroTrac II Air Traffic Management (ATM) system and Telephonics' SkySearch 2000 Secondary Surveillance Radar (SSR) system. The systems will provide new air traffic control and safety equipment for the main traffic corridor between Japan, Korea and North Eastern China. Telephonics' AeroTrac II Air Traffic Management System is an advanced en-route and terminal automation system that features multi-radar

capacity, high tracking accuracy and advanced flight information processing. Work on this program will be performed at Telephonics' facilities in Farmingdale and Huntington, N.Y. Delivery is scheduled for 2003.

Mexicana Airlines said it would institute new, nonstop service as early as May between **Portland (Ore.) International and Guadalajara, Mexico**, with direct service to **Mexico City and Morelia**.

L-Air Holding said that, in anticipation of the acquisition of 49 percent of the shares of **Belgium Universal Airways**, it has finalized the complete due diligence process, and closing will take place on or before April 11. Belgium Universal Airways is a European Airline based in Brussels, with offices at **Brussels International Airport**, which will operate a long-haul network of flights between Brussels and major cities in the world, with Airbus A340-300 aircraft.

L-3 Communications said that its Security and Detections Systems division has been awarded the first-ever hold baggage systems contract in Poland. The company unit will supply Poland's **Warsaw Frederick Chopin Airport** with automatic inspection systems for 100 percent hold baggage inspection. The contract specifies delivery of VIS 108 automated hold baggage systems for the inspection of check-in luggage. Deliveries will begin in May.

Airport operator **British Airports Authority (BAA)** is starting trials at Heathrow of technology to provide screening of passengers for explosives, using equipment from Smiths Detection. Passengers in the central search area of Terminal 1 will randomly be selected to pass through the Smiths Detection Sentinel II portal. The device can detect the smallest traces of explosives on a person or clothing, providing security staff with a warning within seconds.