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Canadian Government Proposes New Airports Law

Canadian Transport Minister David Collenette in early April introduced the Canada Airports Act in the House of Commons. He described the bill as an attempt to modernize the corporate governance regime for airport authorities and establish a framework for disclosure and accountability for Canada's major airports.

"Introducing this legislation is an important step in addressing new and emerging issues that have arisen since the National Airports Policy was put in place in 1994, as well as in protecting the interests of Canadians, the airports and the airline industry," said Collenette. "With the successful divestiture of Canada's major airports completed, it is in the best interests of all parties to have one common, yet flexible, governance structure and a strengthened accountability framework to guide the operators of Canada's major airports."

The legislation contains a new airports policy statement to replace the National Airports Policy, which was the basis for the commercialization of the

airports identified as part of Canada's National Airports System. It completes the legislative framework for Canada's transportation infrastructure, providing a framework for airports in keeping with legislative initiatives for Canada's air navigation and ports systems, Collenette said.

The proposed act sets out the roles and obligations of the Government of Canada and of the affected airport operators. The act will affect 30 airports when it comes into force. It also will apply to any additional airports that, in the future, reach a passenger threshold of more than 200,000 passengers per year averaged over three years.

"Canada's airport divestiture initiative is one of the most successful commercialization undertakings in the world. Airport authorities have expanded rapidly, providing an improved level of service to the traveling public and generating significant economic activity in many regions," said Collenette. "This new legislation will build on that success."

Winnipeg Officials Voice Concern Over Proposed Law

Officials at the Winnipeg (Canada) Airports Authority said that, in its current form, the proposed Canada Airports Act will have "serious consequences" for Winnipeg.

The effect of the proposed legislation will be to shift emphasis away from addressing community needs and opportunities while reducing the airport's competitiveness through the addition of significant new administrative costs, according to a statement from the authority.

"Economic development and local control over the direction of our community airport were cornerstones of the previous and highly acclaimed National Airports Policy. Under that policy, the

Government of Canada transferred management and operation of the Winnipeg airport to the community in 1997," the statement said.

"With this act, the government has replaced those cornerstone principles with regulations covering all aspects of airport activity, some of which will compromise the ability of the Winnipeg Airports Authority (WAA) to generate economic development activity benefiting the community. One consequence is that the WAA will be prevented from continuing to participate with the City of Winnipeg in promoting development of land on and adjacent to the airport. Winnipeg will be among those hardest hit since smaller markets are less able to offset the act's expensive new administrative costs. In addition, these costs will be placed on top of what the WAA is already paying the government in the form of rent. This payment is currently \$3.8 million per year and rising, with no investment from the government in return," according to the statement.

"There should be no illusions about who will end up absorbing these new costs," said Barry Rempel, president and CEO of WAA. "The only avenue will be to raise charges to carriers who, especially in the current environment, will likely be forced to raise travel prices for individual Canadians. Carriers are telling us that as costs rise, fewer people are able to travel," said Rempel. "Fewer people traveling means less profitability for the industry, which could translate into reduced services for cities such as Winnipeg."

Redeveloped Departure Lounge Opened At London Heathrow

BAA executives on April 1 officially opened London Heathrow's Terminal 3 international departure lounge.

BAA Heathrow has just completed a

Upcoming Events

June 29-July 2—Dubrovnik, Croatia... U.S./Europe/Canada Terminal Concessions Development and Airport Public/Private Sector Partnership 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.

five-year project to totally redevelop the terminal's airside departure facilities, adding over 500 more seats and extra security space.

Terminal 3 is Heathrow's second busiest terminal, handling 17.3 million passengers a year. The redevelopment of the international departure lounge included:

- Two new central search positions enabling the terminal to security clear around 1,000 extra passengers per hour
- 500 extra seats, including the introduction of 200 leather 'bucket' chairs
- A children's play area
- Additional restrooms
- The first walk through duty-free store
- A new smoking area providing 27 air changes per hour
- New shower facilities

There also have been a number of improvements to catering and retail facilities in Terminal 3, officials said.

In addition, the opening of the international departure lounge marked completion of the second phase of Terminal 3's Pier 5 extension. The project so far has cost 33 million pounds and has included partial reconfiguration of the pier stands to accommodate the new A380 aircraft that comes into service in 2006.

Air Canada Vows To Keep Flying During Bankruptcy

Air Canada said it will continue flying while it reorganizes under the bankruptcy laws.

Last year, Air Canada posted losses of C\$428 million and the company has well over C\$12 billion in debts and leases.

In a statement, the airline said the reorganization would allow it to emerge as a leaner, more efficient, lower cost carrier through savings obtained mainly from aircraft lessors, lenders, bondholders and labor groups.

"Clearly, while not our preferred course of action, a (bankruptcy) filing is necessary to allow Air Canada to make the required changes to compete effectively and profitably in a changed environment," said carrier Robert Milton, president and CEO.

"Air Canada's customers around the world can continue booking with confidence that their travel plans will not be disrupted. It has been repeatedly demonstrated that the action we have taken to restructure will not create a disruption to service nor should it impact in any way our commitment to safety and customer service," Milton said.

The company said that it had halted plans to sell 35 percent of its Aeroplan frequent flyer program but had given the buyer, Onex, a month to try to reach a new agreement.

U.K. Air Traffic Control To Install New Radar Network

The U.K.'s air traffic control service said it would spend \$201 million on a new radar network. The National Air Traffic Services (NATS) has selected Raytheon Co. to build and install more than half of the new equipment.

The 10-year contract to upgrade primary and secondary radar at 20 facilities is part of a major upgrade in the system.

The government owns 49 percent of NATS while a consortium of airlines and BAA own 46 percent. The company's employees own the remaining five percent.

Iberia Places Major Order For Airbus Equipment

Iberia has signed a contract to acquire 12 A340-600s (five on firm order and seven options), bringing to 15 its planned acquisition of this Airbus model. The newly ordered firm aircraft will be delivered between 2004 and 2006. They will follow Iberia's first three A340-600s, which the airline will start receiving this summer.

The A340-600s will replace the carrier's aging 747 fleet on long-haul routes, bringing considerable savings due to lower fuel consumption, better operational efficiency and greater cargo capacity, Iberia said. Together with a fleet of 18 A340-300s currently in service, they will be operated mainly on the airline's routes from Madrid to major

Latin American cities.

"The A340-600 will enable Iberia to increase its presence in the Latin American market and contribute to furthering our leadership, while offering optimized services to our customers," said carrier President Xavier de Irala.

Rating Confirmed On Aeroports de Montreal Bonds

Moody's Investors Service has confirmed the A2 rating on the C\$350 million airport revenue bonds of Aeroports de Montreal (ADM) and has changed the outlook to stable from positive. Moody's said the stable outlook is more consistent with the current economic and air transport industry environment.

ADM's estimated \$10.6 million prepetition exposure to the Air Canada bankruptcy does not appear to be stressful from a financial perspective, in comparison to the airport's cash reserves and lines of credit, Moody's said.

Airport officials noted that Air Canada accounted for roughly 19 percent of gross revenues in 2002, which reflects the diversified nature of the company's revenue streams. However, over the near term Moody's said it will continue to evaluate the financial and

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operational impact of the Air Canada bankruptcy, focusing on the potential shrinkage in the air service market that may come from the airline's restructuring, in the context of reduced passenger traffic resulting from the war in Iraq and the economic slowdown.

Credit Rating Downgraded For Santiago, Chile, Airport

Moody's Investors Service has downgraded the public underlying rating of the outstanding \$187.86 million in long-term bonds of SCL Terminal Aereo to Caa1 from B3, pointing to "the project's worsening financial situation." This concludes the review for downgrade, the firm said. The rating outlook is negative.

The international airport in Santiago, Chile, continues to suffer from depressed traffic and revenues reflecting the economic recession and sustained effects of Sept. 11, Moody's said. In addition, SCL's finances have been negatively affected by disputes between the concessionaire and the Ministerio de Obras Publicas and the Direccion General de Aeronautica Civil over a number of areas, including competition for on-airport services. Fiscal 2002 results show a \$5.4 million net deficit

after payment of debt service and operating expenses. Company officials have indicated that they will be using approximately \$6.8 million of the \$15.3 million debt service reserve fund to meet the upcoming \$15.9 million debt service payment due July 2003.

Barring any significant positive trends in traffic and compensation measures from the Ministry of Public Works, the company is expected to eventually default on its debt, Moody's said. Airport officials have noted that discussions are reportedly underway with the Ministries of Finance and Public Works, although it is not clear if the outcome will be enough to avert a default.

Airport officials have reported that the final passenger numbers for 2002 show a 5 percent decline in passengers, reflecting a 9 percent decline in domestic passengers and 1 percent decline in international passengers. The projected 4 percent growth in passengers during 2003 may be somewhat optimistic, given the current state of the air transport industry and the negative effects on travel of the Iraq war, the ratings firm pointed out.

SCL was formed by an international consortium in 1998, specifically for the

construction, renovation and operation of the Santiago airport.

European Carriers Post Traffic Losses From War

The Association of European Airlines said passenger traffic declined 10.4 percent during the third week of the war in Iraq. The traffic loss in Europe was 15 percent; Far Eastern routes, 10.1 percent, and across the North Atlantic, 7.7 percent. On routes to the Middle East, the decrease was 45.5 percent.

Sydney Airport To Build Commercial Office Structure

Sydney Airport Corp. announced it has signed an agreement with Multiplex Construction to build a multi-story commercial office block in the airport's northwestern sector.

The project, within the boundaries of the existing International Terminal (T1) carpark, is valued at \$40 million and will provide 600 building jobs during construction, the airport said. The 10-story office block is expected to be completed by July 2004. Key tenant in the building will be the Australian Customs Service.

Concession/Partnership Meeting Slated For Croatia

The AAAE/IAAE U.S./Europe/Canada Terminal Concessions Development and Airport Public/Private Sector Partnership Workshop will be held June 29-July 2, 2003, in Dubrovnik, Croatia. Dubrovnik International Airport and Croatia Airlines are co-sponsors of this important workshop.

The meeting will address the commercial activity of airports worldwide that is playing an increasingly important role in airport management, financing and operations. The meeting also will explore maximizing non-aviation revenues through innovative and dynamic airport terminal concessions programs, as well as taking advantage of creative public/private

sector partnerships.

Through detailed presentations, case studies, and informative roundtable discussions and debates, this airport management workshop will provide the vital information that airport officials throughout the U.S., Europe and Canada need to maximize terminal concessions development and public/private sector partnerships at airports. Speakers will include prominent officials from various national governments, including high-ranking representatives from the U.S. Congress, as well as key executives from airports in the U.S., Europe and Canada, leading airport concession companies and experienced consultants.

The workshop will begin with a

reception at 18:30 on Sunday, June 29, and end at 12:30 on Wednesday, July 2. All sessions will be held at the Hotel Argentina on the edge of historic Dubrovnik, Croatia, and on the Adriatic Sea. The workshop registration fee of \$495 USD includes evening receptions on June 29 and 30, two luncheons, coffee breaks and all handout materials. For further information and to register on-line, visit www.airportnet.org/calendar. For further program information, contact Spencer Dickerson, AAAE, at (703) 824-0500, Ext. 130, or e-mail sdickerson@airportnet.org. For further registration information, contact Natalie Fleet, AAAE, at Ext. 132, or e-mail natalie.fleet@airportnet.org.

News From Around The World

Air New Zealand and **Wellington International Airport** are facing a legal battle over a rise in airport fees. The airline said it plans to contend in court a threat by the airport to sue for allegedly unpaid charges of US\$3.85 million. The airline refused to pay increased rates at the airport and continued to pay at the prior rate. The airport raised rates to finance a new terminal.

Copenhagen Airport reported that international scheduled passenger traffic decreased by 4.2 percent in March, while the number of international charter passengers decreased by 9.3 percent. The total number of domestic passengers decreased by 7 percent during the month.

CR Airways Ltd. has applied to Hong Kong's Civil Aviation Department to operate 50-seat Bombardier aircraft between **Hong Kong** and **China**, as well as to several Southeast Asian destinations. Published reports indicate that a decision on the application could be made by mid-year.

Low-fare airline Ryanair announced it is pulling out of its proposed new route from London Stansted to Grenoble due to contractual difficulties with the French airport. Ryanair, which was to fly the route as part of its takeover of former KLM budget carrier Buzz, said it could not reach an acceptable agreement with the airport.

Egyptair has signed a contract with Airbus for the purchase of seven A330-200s. Deliveries of the aircraft are scheduled to begin in June 2004. The Egyptian flag carrier plans to operate the A330-200 on routes mainly within the **Middle East** and to **Europe**.

US Airways announced that it has received both U.S. and foreign government approval to begin seasonal service between **Fort Lauderdale, Florida**, and **Bermuda**. The service will begin June 14.

Continental Airlines will introduce

seasonal Continental Express nonstop service in December 2003 between **Houston's George Bush Intercontinental Airport** and **Manzanillo, Mexico**, pending government approval. The new service will use the extended-range version of Embraer's 50-passenger ERJ-145 ExpressJet.

The **government of Taiwan** plans to lower airport and landing fees by 25 percent for domestic airlines to help offset the impact of recent world events on their business, including the outbreak of Severe Acute Respiratory Syndrome, or SARS, and the war in Iraq. The plan will cover a one-year period retroactive to Jan. 1, said an official at the government's Civil Aeronautics Administration. She said airlines would be refunded fees already collected by the government.

Qantas said it would furlough 1,000 employees by June 30 as it responds to lower passenger numbers flowing from the war in Iraq, the outbreak of Severe Acute Respiratory Syndrome and general economic conditions.

U.K. budget carrier **easyJet** was allocated 7,300 slots at Paris Orly Airport. The airline had applied for slots left vacant by the French carrier Air Lib and said it anticipated introducing more low-cost flights from Paris this summer.

Guangzhou Baiyun International Airport Co., operator of the largest airport in southern **China**, said it expects to raise 2.28 billion yuan by selling 400 million yuan-denominated A shares to domestic investors in April. The proceeds will be used to partly finance its airport terminal project. The company will use its internal resources and bank loans to provide the balance of the funds.

The **Concorde** era of airline travel is about to end. **British Airways** and **Air France**, the only two operators of the supersonic jet, announced that they will ground the aircraft permanently. British Airways will retire its seven-plane

Concorde fleet at the end of October. Air France said it will stop services no later than Nov. 1 but, unless demand improves, will suspend flights at end of May.

China Southern Airlines said it has significantly adjusted its route timetable to provide more extensive services throughout **China, Asia, Europe, the United States** and **Australia**. China Southern said it will operate more than 3,000 weekly flights during 2003, 239 more than in 2002.

British Airways has ruled out selling its 17 percent stake in **Qantas**, according to published reports in the U.K.

Lufthansa and **Swiss International Air Lines** denied reports they are in takeover talks. A Swiss publication reported the two were holding talks on a takeover.

Top executives of **American Airlines** and **British Airways** praised the U.S. Transportation Department's tentative approval of their proposed codesharing agreement, while acknowledging that the department's approval doesn't carry the antitrust immunity "that other global alliances enjoy on the North Atlantic." The agreement does not include codesharing rights on nonstop U.S.-London flights. In tentatively favoring approval, the transportation department noted that the requested authority is provided for in the U.S.-U.K. bilateral aviation agreement.

Cathay Pacific is denying reports that it may stop flying. The carrier said that, despite the current difficult situation with 42 percent of its schedule canceled, it is maintaining its network and providing scheduled services. The airline said it has considered a number of contingency measures to maintain its services, preserve cash and minimize expenditure. Some measures already in place include the stopping of promotional and advertising activities. More measures will be implemented if and when necessary, the carrier said.