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Boeing Predicts Aircraft Fleet Will Double In Next Decade

Boeing Co., in a newly released market outlook, is predicting a \$5.2 trillion market for new commercial airplanes and aviation services over the next 20 years.

The manufacturer forecast that the world fleet will more than double to 34,000 jets by 2022, comprising approximately 18,400 airplanes for market growth; 5,900 airplanes for replacement, and 9,700 existing aircraft. The mix of current and new airplanes is based on a projected 5.1 percent annual growth in world passenger traffic. Regional growth varies between 4 and 7.3 percent, with Latin America expected to be the fastest-growing region, Boeing said.

"The progression from a regulated to liberalized market has increased competition among airlines and is forcing them to operate at much higher levels of efficiency to remain profitable," said Randy Baseler, Boeing Commercial Airplanes' vice president-marketing. "Passenger preference for more frequent, nonstop flights with shorter trip times will continue to drive market evolution and airline strategies."

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— Bucharest, Romania... U.S./Europe/Canada Airports and Tourism Development Workshop.

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

Boeing projected that airlines will invest \$1.9 trillion in new commercial airplanes, which equates to 24,275 airplane deliveries over the next 20 years. Of that total, 4,300 deliveries will be for smaller regional jets (below 90 seats); 13,645 deliveries will be for larger regional jets and single-aisle airplanes; 5,440 deliveries will be for intermediate-size airplanes, and 890 deliveries will be for 747 and larger size airplanes.

The freighter fleet will double over the next 20 years from 1,752 to 3,501 airplanes, Boeing projected. Freighters, as a share of the total airplane fleet, will fall from 11 to 10 percent due to an increase in the size of the average freighter. Taking 1,227 retirements into account, nearly 3,000 airplanes will be added to the freighter fleet by 2022, the company said.

Boeing estimated that the commercial aviation support services market will be worth about \$3.3 trillion over the next 20 years, with annual revenues considerably more than that for the new airplane market.

New Zealand Won't Impose Controls On Airfield Charges

The government of New Zealand said it will not impose controls on airfield charges at the country's three major international airports.

Commerce Minister Lianne Dalziel said the government decided that the "minuscule" benefits stemming from price controls on airfield charges to airlines wouldn't outweigh the "significant" costs of regulation.

The New Zealand airline association complained that the government's ruling will allow airport operators to raise prices indiscriminately. The organization issued a statement saying, "The inevitable consequences will be higher air fares as airports extract higher and higher profits, which airlines have no recourse

against and which the government...has effectively given the green light to."

Dalziel told a press briefing there were no huge benefits to airlines or the public from imposing price controls in any of the three airports.

BAA Chief Executive Calls For More Runways In U.K.

Britain needs more airport runways in South East England if its national and regional economies are to remain an attractive location for global companies, according to BAA chief executive Mike Clasper.

Speaking recently to the annual Airports Council International conference, Clasper said that London is in danger of falling behind its continental competitors in terms of airport infrastructure. In Paris, Frankfurt and Amsterdam, governments and planners had faced up to the consequences of rising public demand for aviation, he said.

"What we are desperate to avoid in Britain is for our aviation industry to follow the failed route of delay, congestion, under-investment and decline that our railways have taken," he said.

At present, Clasper said the U.K. nations and regions "are very well served" by connections to Heathrow, Gatwick, Stansted, Luton and City, but as congestion increases there will be an issue about connections between regional airports and slot-constrained airports such as Heathrow and Gatwick.

Referring to his previous position as a senior executive with Procter and Gamble, based in Newcastle, Clasper said, "For global companies, with major activities in the regions, the loss of access to a domestic hub means a loss of access to its markets. If those are lost, then businesses like P & G won't simply switch to hubbing via Schiphol or Paris— these businesses will pack up and

move there, or to London.”

In May, BAA submitted its response to the government's consultation on aviation expansion over a 30-year time frame. BAA called for the phase-in of as many as three new runways in the South East of England.

Winnipeg, Cargojet Announce New Hub Status

Winnipeg Airports Authority (WAA) and Cargojet announced that Winnipeg will become the primary hub of Cargojet's national air cargo network. All flights between Eastern and Western Canada will now pass through Winnipeg, making it the busiest cargo airport in the country for the Mississauga-based carrier.

Cargojet's decision to consolidate its network in Manitoba will take advantage of a variety of benefits available through Winnipeg International Airport, the company said.

“Due to increased freight volumes, we have restructured our domestic overnight network to better suit the needs and demands of our customer base. Using Winnipeg as a hub will allow us to now operate six flights each business day, serving Hamilton, Montreal, Vancouver, Edmonton, and Calgary directly from Winnipeg,” said Ajay Varian, president and CEO of the Cargojet group of companies.

Cargojet recently signed interline alliances with Swiss World cargo, British Airways World Cargo, and Air France Cargo.

The cargo airline will open new facilities at Winnipeg International to assist with customer relations and sales and space for local aircraft maintenance engineers. A planned total of 12 arrivals/departures per day in Winnipeg represents a net expansion in frequency of six flights per week, resulting in total new airlift capacity of approximately 60,000 lbs every day.

“This is very positive news for the Winnipeg community and we are proud that Winnipeg Airports Authority could play a role in facilitating it,” said Barry Reemploy, WAA president and CEO.

European Union Signals Intent To Sign Accord With U.S.

European Union (EU) transport ministers have given the European Commission—the EU's executive branch— authority to begin negotiations on a comprehensive new transatlantic air agreement with the U.S.

“This is an historic decision. We have reached a deal that will enable the European Union to assert itself at the international level and to work for the benefit of its consumers and its aviation industry,” said Loyola de Palacio, EU vice president of transport and Energy. “We aim to launch negotiations with the U.S. within a month on an agreement that will bring together the two largest aviation markets in the world.”

EU officials said it could take several years to reach a single air services agreement with the U.S. Until then, existing bilateral pacts will remain in effect.

Emirates Places Major Order For Airbus Planes

Emirates Airlines has ordered 41 additional Airbus aircraft, comprising two A340-500s, 18 A340-600s and 21 A380s, in the largest single order ever placed by the airline.

Deliveries of the newly ordered A340-500s begin at the end of 2004, those of the A340-600s in June 2007, and those of the A380s in spring 2009.

“Airbus' A340-500, -600 and A380 are the best solution for the increase in capacity, range and economy that we need to satisfy our rapid passenger growth and ever expanding network,” said Emirates Chairman HH Sheikh Ahmed bin Saeed Al-Maktoum.

The A340-500s will initially open new nonstop routes from Dubai to Australia and the east coast of the U.S. Later, A340-600s will replace them on these and some Asian routes— with the A340-500s then flying even longer sectors. Emirates plans three versions of the Airbus A380, with 500-650 seats. It will initially deploy A380s on its busiest trunk routes to Europe and Asia.

U.S. Firm Rates Debt Holdings Of Schiphol Group

U.S.-based Moody's Investors Service affirmed its Aa3 senior unsecured debt ratings of N.V. Luchthaven Schiphol and Schiphol Nederland B.V with a stable outlook.

Moody's said that Schiphol Group's Aa3 debt ratings reflect (1) the group's full ownership by the government of the Netherlands and the municipalities of Amsterdam and Rotterdam, (2) its status as the owner of the fourth largest airport in Europe (Amsterdam Airport) serving a major European capital, and (3) its good debt coverage metrics and reasonable financial flexibility to deal with traffic downturns over the medium term. However, these positive factors are somewhat mitigated by (1) its relatively high exposure to transfer traffic and reliance on KLM, and (2) its moderate liquidity available to deal with external shocks in the short term and potential calls on cash flow if its credit standing were to deteriorate.

The ratings firm said that the stable outlook takes into account Moody's belief that there is a likelihood that the current government may look to partially privatize Schiphol Group at

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some stage, but that this is not likely to happen within the next 12-18 months.

China Southern Outlines Campaign Against SARS

China Southern Airlines outlined a major marketing program to win back customers lost to fears of Severe Acute Respiratory Syndrome (SARS).

The airline is distributing thousands of brochures providing information about the disease; checking the temperatures of all passengers at airport departure areas; denying boarding to passengers with an elevated temperature, and supplying face masks and protective clothing for its employees. Further, the airline said it will provide liability insurance to all passengers at no charge, will give lifetime free flight privileges to any scientist who discovers a vaccine for SARS, and will offer other travel incentives to passengers.

Airbus Announces Details Of Aircraft Sales

Qatar Airways has signed a \$5.16 billion agreement with Airbus to purchase 32 aircraft in a deal that will increase the airline's fleet from 24 to 52 planes by 2008.

An airline official said the new order will give Qatar Airways the capacity to grow and serve new markets. In particular, the A340-600s will allow the carrier to introduce long haul services to destinations such as the U.S.

Separately, Korean Air said it had signed a memorandum of understanding with Airbus that could lead to the purchase of eight A380 superjumbos.

The aircraft manufacturer's commercial director John Leahy told a press conference at the Paris Air Show that he expected the Korean MOU to be converted into a firm order within a few months.

IATA Recognizes Airports, Airlines, Service Providers

The International Air Transport Association (IATA) has announced the winners of the organization's sixth annual Eagle

awards.

IATA said that the events of Sept. 11, the economic slowdown, the Iraq war and SARS have resulted in substantial reductions in air traffic volumes. These have caused a crisis in the revenue budgets of both airlines and many of their suppliers, including airport and air navigation service providers. IATA called on governments, regulators, airports and air navigation entities, seeking relief in the form of reductions in the costs that they pass onto the airlines.

A number of airports and air navigation service providers have taken steps such as containing costs, freezing, reducing and even waiving charges for periods of time. The independent Eagle Award Selection Panel decided that three airports and three air navigation service providers deserved special recognition for their efforts. They are the Civil Aviation Authority of Singapore (Changi Airport), Melbourne Airport and Athens International Airport, Airways Corporation of New Zealand, the United Arab Emirates General Civil Aviation Authority, and Estonian Air Navigation Services.

The panel also recognized a number of airports and air navigation providers that had made significant efforts in controlling costs and/or charges, including Dallas Fort Worth, Dubai, Hong Kong, Sharjah, ANS of the Czech Republic, Austrocontrol, Latvia's LGS, Oro Navigacija of Lithuania, Nav Canada and U.K. NATS.

Lufthansa Ratings Downgraded Due To Weak Economy

Financial ratings service Moody's Investors has downgraded Lufthansa long-term senior unsecured ratings to Baa2 from Baa1 and confirmed its Prime-2 short term rating.

Moody's said the rating downgrade reflects the expectation of weaker cash flow generation over the short- to medium-term due to the prolonged economic downturn, in particular in Germany, the dampening effect of SARS on Asian routes, and intensified low cost competition.

EDS Signs Passenger Service Contracts With Three Airports

EDS said it has reached new and expanded business agreements with three clients in the air transportation industry in Europe. One contract calls for the airport of Salzburg in Austria to utilize EDS' Departure Control System (DCS) axControl to support all ground handling activities.

Singapore Airlines May Have More Layoffs

Singapore Airlines may furlough additional employees to survive a global air travel downturn, following an earlier decision to fire 414 employees, company Chief Executive Chew Choon Seng said June 19.

The carrier has been losing S\$6 million daily since April due to the outbreak of Severe Acute Respiratory Syndrome and the war in Iraq.

BAA To Add Parking Garage At Edinburgh Airport

BAA said it will invest 20 million pounds sterling at Edinburgh Airport to add a new 2,000-space multi-storey garage.

Construction on the garage begins July 9 and marks the latest major investment by BAA, which has spent 150 million pounds sterling at Edinburgh Airport in the last six years.

BA, Boeing Introduce In-Flight Internet Service

British Airways and Connexion by Boeing, a business unit of The Boeing Co., announced that the recent introduction of in-flight Internet connectivity met all established objectives for passenger usage.

During the three-month service demonstration that commenced Feb. 20 on selected flights between London and New York, airline passengers were able to send and receive e-mails, access the Internet or their firewall-protected corporate intranet in real-time.

News From Around The World

The government of Colombia said it will grant a concession to operate **Bogota's El Dorado Airport**, in an effort to achieve more than \$1 billion in investment to modernize and enlarge the facility. The airport accounts for more than half of all air traffic in Colombia.

Budapest Airport Rt., the service company operating Ferihegy International Airport in Hungary, has chosen IFS Applications to streamline its financial and logistics processes. The contract covering the first phase has a value in excess of \$1 million. IFS, along with its partner, Minor Rendszerhaz Rt, will manage the implementation. The first phase is scheduled to go live at the end of 2003. Plans for subsequent phases include the addition of service management and corporate performance management components, as well as an increased number of users.

Grupo Aeroportuario del Sureste, S.A. announced that total passenger traffic for May increased by 11.2 percent from the comparable period last year. **Grupo Aeroportuario** is a Mexican airport operator with concessions to operate, maintain and develop the airports of Cancun, Merida, Cozumel, Villahermosa, Oaxaca, Veracruz, Huatulco, Tapachula and Minatitlan in the southeast of Mexico.

German airport operator **Flughafen Munchen** is using Cisco software at Munich International Airport to build a network allowing travelers to choose their own Internet service provider. The operator began offering wireless Internet access in its terminal building and main concourse in October 2001 and now intends to become the first wireless local area network provider to give users a choice of ISPs, accessed from a drop-down menu on the airport's portal page.

Canadian Transport Minister David Collenette announced the designation of **Zoom Airlines** to operate scheduled international air services between

Canada and the U.K. Zoom will offer services between the following city pairs: Calgary-Glasgow; Vancouver/Edmonton-London (Gatwick); Vancouver/Calgary-Manchester; Toronto-Belfast; and Toronto-Birmingham. The airline started operations in December 2002, and has operated charter services between Canada and Cuba, the Dominican Republic, Mexico and Florida.

Delta Air Lines has added 10 more codeshare destinations on Korean Air from Seoul to Fukuoka, Nagoya, Nagasaki, Aomori, Akita, Okayama, Oita, Sapporo, Kagoshima, and Niigata, Japan. In addition, the carrier began codesharing on its **SkyTeam** partner Korean Air on flights beyond Seoul to Hong Kong, Auckland, New Zealand and Kuala Lumpur.

On July 7, Zip Airlines will expand its network by adding daily, nonstop service between **Victoria and Edmonton, Canada**. To mark this expansion, Zip is offering special, introductory fares starting at \$75 each way.

The Canadian government has transferred the ownership of **Riviere-du-Loup Airport** from Transport Canada to the Town of Riviere-du-Loup. The airport is a facility identified as one of 31 small airports having no scheduled passenger service and serving local needs. Under the National Airports Policy, announced in July 1994, local interests are being offered until March 31, 2005, the opportunity to assume ownership of small airports. In addition to the transfer of ownership, Transport Canada will contribute \$50,000 to the Town of Riviere-du-Loup for airport operations.

HMSHost Corp. was granted a five-year lease extension on its food and beverage contract at **Montreal Dorval International Airport** as part of the development of the new Transborder Jetty. The extended contract will run through June 2012 and is expected to generate more than US\$85 million in incremental revenue. As part of the

agreement, HMSHost has just opened four new facilities in Dorval's brand-new US Transborder Jetty. The new concepts include Starbucks Coffee, Burger King, Le Bar Sportif (a sports-themed bar and lounge) and Montreal en Scene, a bar and casual dining restaurant that celebrates the performing arts and music of Montreal.

Embraer announced the first test flight of its Embraer 175, the second member of a family of four new-generation commercial jets specifically designed for markets optimized with 70- to 110-seat equipment. The Embraer 175's four-abreast cabin can be configured with 78 to 86 seats in single class, as well as with premium seats for dual-class service.

EVA Airways of Taiwan said it expects its June revenue to fall by NT\$1.5 billion from a year earlier, due to the effect of SARS on its business. The June passenger load factor should fall 30 percent from a year earlier.

Qatar Airways has appointed World Air, Inc. as its new General Sales Agents (GSA) for the United States. Effective June 15, World Air is responsible for nationwide distribution of Qatar Airways Airline Passenger Services.

The **United States and Spain** announced a plan to initiate an ongoing program of cooperation and information exchange on the science and technology of transportation.

Delta Air Lines will expand its codeshare relationship with SkyTeam partner **Aeromexico** beginning July 7 by offering codeshare service from Ontario, Calif., to Los Cabos, Mexico, and from Las Vegas, Nev., to Monterrey, Mexico.

Smiths Aerospace announced the opening of a 66,000-square-foot aircraft engine components manufacturing facility in **Suzho, Jiang Su province, China**. The facility will manufacture precision-machined aircraft engine components for the civil marketplace, beginning in 2004.