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Debt Rating Outlook On Paris Airports Downgraded

Standard & Poor's Ratings Services said it has revised its outlook on Aeroports de Paris (AdP), operator of the Roissy-Charles de Gaulle and Orly airports, to negative from stable, reflecting the possibility of a change in the company's legal status as a state-owned Etablissement Public (EP). At the same time, the triple A long-term corporate credit rating on the company was affirmed.

"If this status were changed, AdP would likely be rated on the strength of its stand-alone credit quality, which, without its EP status or any other government support, would be A plus," said Standard & Poor's credit analyst Jean-Francois Veron.

This rating is based on AdP's above-average business profile as owner and operator of France's major airports and its position at the center of a large and wealthy catchment area, S&P said. These strengths are offset by the company's relatively high leverage and continuing high capital expenditure. In addition, AdP's balanced revenue base, ample capacity, and its partly deferrable capital investment program mitigate the relatively high customer concentration and some transfer traffic at de Gaulle, S&P said.

In addition to the impact on air

Upcoming Events

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.

traffic of the Sept. 11 terrorist attacks and current slow economic growth, AdP has suffered from the liquidation of French carriers AOM and Air Lib and from the competition of high-speed trains, S&P said. The allocation of slots to "no-frills" airlines is, however, expected to have a positive impact on AdP's credit profile.

The negative outlook reflects the possibility of a change in the company's legal status, S&P said. Evidence of a possible change includes: government representatives mentioning the potential opening up of AdP's capital, and the establishment of work groups to reform the company's relationship with the state and run it on a more commercial basis. There is uncertainty regarding the timing of any change, S&P added.

U.K. May Approve New Runways At London Airports

The U.K. government is set to give the go-ahead for three new runways at London's major airports, according to a media report from London.

The decision, to be announced later this year, will allow new runways at Heathrow, Gatwick and Stansted.

An alternate plan that included the building of a new airport on a greenfield site in the south-east of England is now expected to be rejected, according to the report, in favor of building one new runway at each of the three busiest airports in the country.

Sydney Airport Releases Draft Master Plan

Sydney Airport Corp. Ltd. (SACL) this month released its draft master plan for public comment.

The master plan is a 20-year vision for the future development of Sydney Airport. Officials said that important community safeguards that underpin the

plan include no changes to the curfew, no changes to flight paths, no change to the capacity cap and no new runways.

Sydney Airport Chief Executive Max Moore-Wilton said Sydney Airport has the capacity and infrastructure planning in place to manage all of Sydney's projected growth in domestic and international passenger traffic for the foreseeable future.

Key features of the draft master plan include: annual passenger growth rates of 4.2 per cent to a forecast 68.3 million passengers by 2023/24; slower growth rates of aircraft movements to reach 412,000 total aircraft movements by 2023/24; regulations relating to curfew and movements caps to remain in place; a continued commitment to existing noise sharing flight paths; noise mitigation strategy will see little change to aircraft noise impact in the next five to 10 years; no extension or duplication of runway infrastructure, although some new taxiway and apron developments are indicated; continued separation of international and domestic terminal operations with some extensions to both building complexes indicated; all air freight facilities to be relocated to a new freight precinct on SACL-owned land to the north of the airport; aircraft line and base maintenance facilities to be retained, and support continues for a transport mode shift from vehicle-based transport to rail-based transport and incremental expansion of transport infrastructure.

BAA U.K. Airports Weather Strike, Post Gains

BAA's seven U.K. airports experienced their second busiest month on record in July, with a total of 13.2 million passengers, up 2.2 percent over the same month last year.

Unofficial strike action by British Airways' check-in staff at Heathrow is

estimated to have caused a net loss of 100,000 passengers at Heathrow. More modest strike-related losses at Glasgow and Edinburgh are thought to have been offset by a gain at Stansted, BAA said. In the absence of strike action, BAA estimated that it would have recorded an increase of 3 percent and experienced its busiest month ever.

Among major markets, domestic traffic was affected most by the BA strike but still recorded an increase of 1.9 percent. European scheduled traffic was up by 6.9 percent, while some of the early season cutbacks in European charter capacity were restored in July. Following a fall of 11 percent in the European charter traffic in June, July saw a drop of just 2.7 percent.

Heathrow traffic decreased 0.7 percent due to the strike. Gatwick, up 0.1 percent, was virtually unchanged from last year with a strong European scheduled performance. Stansted added 11.3 percent, while Southampton's successful launch of new scheduled services resulted in growth of 78.6 percent. In Scotland, traffic at both Glasgow, up 3.6 percent, and Edinburgh, up 5.4 percent, was reduced by the strike.

DHL Express Completes Airborne Ground Acquisition

DHL Express has completed its acquisition of the ground-express delivery operations of Airborne Inc.

DHL is a unit of the German postal service Deutsche Post AG. To satisfy U.S. rules prohibiting more than a 25 percent stake in U.S. airlines by foreign owners, Airborne and DHL on Aug. 15 spun off Airborne's airline-delivery unit as a separate company, ABX Air.

Four U.S. Cargo Lines Named For Ecuador Service

The U.S. said it has tentatively selected four airlines to begin all-cargo service between the U.S. and Ecuador—Atlas Air, Florida West International, Custom Air Transport and Evergreen International.

Carriers Face Massive Losses Due To Blackout In U.S.

Carriers losses could range in the tens of millions of dollars due to the massive power blackout that hit the Northeast U.S. Aug. 14, experts said.

Airlines canceled at least 1,200 flights on Aug. 15, many destined for affected U.S. and Canadian airports in New York, Detroit, Cleveland, Toronto and Ottawa. Air Canada temporarily suspended all flights worldwide because of a power failure at its main operations center near Toronto.

China Eastern Shows Signs Of Traffic Recovery

China Eastern said it has become the first major airline in China to show clear signs of recovery from the damage done by the Severe Acute Respiratory Syndrome (SARS) outbreak as passenger numbers moved ahead in July.

The Shanghai-based carrier reported that its traffic rose by 7 percent in July to over one million.

Load factors, at 61.6 percent, were up by over 20 percent, led by a surge in domestic traffic which rose by 18.6 percent. International flights did not fare as well, showing a 34.6 percent year-on-year fall.

Two of the region's other major carriers, China Southern and Hong Kong-based Cathay Pacific, saw their July traffic fall, but both are more exposed to international services.

Debt Ratings of BAA plc Downgraded; Outlook Stable

Moody's Investors Service has downgraded the senior unsecured long-term debt ratings of BAA plc to A3 from A1 and the short-term rating to Prime-2 from Prime-1. The rating outlook is stable.

Moody's said its rating action reflects (1) BAA's significant capital expenditure program over the next five years, (2) the expectation that BAA's indebtedness will increase significantly and debt protection measures will weaken, and (3) the counterbalancing factors that

mitigate the effects of higher debt leverage, in particular BAA's conservative financial policy. The ratings reflect Moody's view that BAA will steadily increase its debt leverage over the next five years, the firm said.

Ratings Lowered On Nav Canada Debt

Standard & Poor's lowered its long-term issuer credit and senior unsecured debt ratings on Nav Canada to double A minus from double A. The outlook was revised to stable from negative.

S&P said the lowered ratings on Nav Canada primarily reflect "the troubled aviation industry backdrop that is persisting into the third quarter of 2003, highlighted by Air Canada's dire financial situation and protracted bankruptcy protection proceedings, and by the expected gradual recovery in air travel in the wake of the Toronto, Ontario, SARS outbreak, one of the latest crises to affect the industry."

Although Nav Canada implemented an average 6.9 percent rate increase on Aug. 1, "Any future rate increases could be met with greater resistance from the company's beleaguered airline customers, should a lasting recovery in traffic

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not soon unfold or alternative revenue sources not be found," S&P said.

The firm added that the stable outlook reflects the expectation that Nav Canada's management will continue to carefully manage expenditures and monitor revenues as air traffic volumes gradually recover from their recent slump.

Qantas Targets Major Cost Savings Over Two Years

Qantas Airways is targeting cost savings of A\$1 billion over the next two years, and may create a low-cost unit to stimulate new markets.

Chief Executive Geoff Dixon said that Qantas plans a "significant reorganization of the company. I believe this reorganization will better enable us to manage constant change and drive initiatives now in place and others that will be required so we maintain our reputation for excellence in everything we do," he said.

The carrier reported a second half net loss of A\$9 million, its first loss since being privatized in 1995. The airline still posted a full year profit of A\$343.5 million.

Qantas said its Australian Airlines operation, which targets Asian tourists and began flights last October, was profitable until March but dropped to an annual operating loss of A\$14.7 million. Sales rose 3.7 percent to A\$11.4 billion, with Qantas and other airlines offering

cheap seats for much of 2003 to boost demand.

Dixon said the Qantas board will decide on plans for a low-cost airline in November. He added that the new low-cost unit would have separate management and be operated on a stand-alone basis.

Hong Kong Traffic Regains Strength In July

Hong Kong's Airport Authority said passenger traffic at Hong Kong International Airport doubled to 2.47 million in July from June, although the July figure was down 18.5 percent from a year earlier.

July's total of 80,000 passengers a day was more than double the 38,000 a day recorded in June, the authority said. In June as a whole, just 1.15 million people passed through the airport.

Travel to two key destinations, China and Taiwan, climbed to 90 percent of the levels last seen before the outbreak of severe acute respiratory syndrome in the spring, the authority said.

European Airline Traffic Continues To Improve

European airline traffic for the week of Aug. 10 rose nearly 3 percent compared with the same week in 2002 and continues to improve, according to the Association of European Airlines (AEA).

North Atlantic routes saw traffic gains

of nearly 8 percent for the week, for a cumulative growth rate of 3.8 percent for the year so far. Traffic in Europe increased by 1 percent for the week. Far East traffic declined nearly 7 percent but continues to recover slowly from the effects of Severe Acute Respiratory Syndrome.

Ryanair To Launch Low-Fare Birmingham-Barcelona Flights

Ryanair announced two new daily routes from Birmingham, England, to Barcelona (Girona) and Murcia, effective Oct. 30. The carrier also announced increased frequency on the Birmingham-Dublin route from three flights daily to five flights daily, beginning starting Oct. 30.

The new daily flights to Barcelona (Girona) and Murcia are Ryanair's first low fare routes between Birmingham and Spain, and the airline said it expects to carry 100,000 passengers on each route annually.

Emirates, Continental To Begin Codesharing

Emirates, the Dubai-based international carrier, and Continental Airlines will begin codesharing on flights between Dubai and the U.S. via London Gatwick airport. A new marketing link will also allow travelers to access the airport lounges of both carriers, as well as to received enhanced frequent flyer benefits.

U.S./Europe/Canada Airports and Tourism Development Workshop To Be Held October 1-3, 2003, In Bucharest, Romania

There is no mistaking that tourism is one of the major economic activities in every corner of the world. In 2002, the impact of travel and tourism in Europe is estimated to be \$825 billion; in the United States, \$510 billion, and across the globe, \$2.2 trillion.

For example, in the United States, travel and tourism is the largest services export industry, third largest retail sales industry and one of the three largest employers in 32 of the 50 states. There is also no question that air transportation is one of the most critical components in the economic engine that fuels the tourism industry. The bottom line is that dynamic economic growth is greatly dependent on airports, airlines and local tourism organizations working effectively together to maximize the benefits of travel and tourism in their regions.

To address how airports and the tourism industry can work as partners, a special U.S./Europe/Canada Airports and Tourism Development Workshop will be held October 1-3, 2003, at the Sofitel Hotel in Bucharest, Romania.

For further program and registration information, visit the AAEE web site at <http://www.airportnet.org/depts/meetings/regforms/1010reg.pdf>.

News From Around The World

Low-cost airline Ryanair said that it is appealing a decision by a French court to terminate its route between **Strasbourg, France, and Stansted, London.** The court at Strasbourg said an agreement between the local chamber of commerce and Ryanair was illegal and ordered the route be shut down by Sept. 24.

Grupo Aeroportuario del Sureste, S.A. (ASUR), the Mexican airport operator of **Cancun International Airport** and eight other airports in the southeast region of Mexico, announced the appointment of Manuel Gutierrez Sola to the position of chief commercial officer. Gutierrez Sola has been ASUR's acting chief commercial officer since Oct. 31, 2002, where he has been in charge of the negotiations of the commercial contracts for the airports managed by ASUR and the implementation of the second stage of the company's commercial strategy. Before that, he was concessions manager at ASUR.

Delta Air Lines announced it will introduce its custom-designed Boeing 777 aircraft on daily flights between Tokyo's **Narita Airport** and **Hartsfield Atlanta International Airport**, beginning in January 2004. "The aircraft was designed exclusively with our long-haul passengers in mind, especially those traveling from Japan to Atlanta, the world's busiest international airport," said Paul Matsen, Delta's senior vice president, international and alliances. The B777 is outfitted with the airline's BusinessElite cabin, which features 52 seats for premium passengers.

Thai Airways International has ordered three A340-500s and five A340-600s. Delivery of the newly ordered aircraft is scheduled to begin in 2005. The A340-500s will be operated on a completely new network of ultra long-haul services from **Bangkok to North America**, while the A340-600s will

replace the aircraft currently operated to secondary cities in Europe, the carrier said.

Qantas announced the trial of a new customer service initiative using speech recognition technology to manage telephone enquiries and reduce call waiting times. The trial of Qantas Voice will involve frequent flyer program members seeking points balances and booking domestic redemption seats during business hours, the carrier said.

Sabre Airline Solutions recently signed a five-year contract with **Philippine Airlines** to provide electronic ticketing services across its domestic and international network. During the month of June, Sabre Airline Solutions' conversion team completed systems implementations at Bangkok Airways and Siem Reap Airways International, Transportes Aeromar, and Aero Continente. More than 70 global carriers currently use the company's technology to manage reservations and departure control functions, Sabre said.

British Airways denied a published report that it plans take a major stake in **Swiss International Air Lines.** BA said, however, that talks have been held about Swiss joining the Oneworld alliance.

Air France said its revenue for the first quarter ended June 30, 2003, fell 9.3 percent. The French government has said it is now in a position to privatize the air carrier but would wait until Air France's share price increases.

Effective August 15, 2003, LanChile Cargo moved to a newly-constructed facility at **New York's JFK International Airport.** LanChile Cargo occupies 32,000 square feet in its newly constructed facility, including 1,200 square feet of office space and 20,000 square feet of warehouse space.

InVision Technologies announced that airport authorities in Japan, Greece and Italy have ordered CTX 9000 DSi explosives detection systems (EDS) with a total value of approximately \$8.5

million. The systems sold to the **Central Japan International Airport, the Athens International Airport and the Orio Al Serio International Airport in Bergamo, Italy** are scheduled for delivery in the fourth quarter of 2003 and the first quarter of 2004.

US Airways Group Inc. and United Airlines agreed to extend their marketing partnership, adding new code share flights to **Asia.**

Continental Airlines said it will begin nonstop service Dec. 17 from **Newark Liberty International Freeport** in the **Bahamas**, pending government approval. The route will be operated with Continental Express' 50-seat Embraer ERJ-145.

Air Canada's Tango has expanded its low fares, which will soon be available on most routes throughout Air Canada's domestic network and eventually for travel to all of the carrier's U.S. and international destinations.

Moody's Investors Service assigned its definitive senior secured long-term rating of Aaa to the GBP 600 million 5.25 percent Guaranteed Secured Fixed-Rate Amortising Bonds due 2026, to be issued by **NATS (En Route) Plc.** The rating agency has also assigned a definitive Baa2 rating to the bonds absent the benefit of the financial guarantee insurance policy. The outlook is stable.

Shareholders of Colombian airline **ACES** agreed to dissolve the company shortly after its fleet was grounded. The airline was operating under a debt load reported at about \$30 million, which made it impossible for it to pay its leases and other costs, according to press reports.

The new Terminal 4 and enhanced facilities of **Madrid Barajas (Spain) Airport** will be completed by the end of 2004. The expansion is to provide a maximum annual capacity of 70 million passengers.