

# INTERNATIONAL AIRPORT REPORT

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## Qantas Disappointed Over Alliance Ruling

Qantas Airways said it is extremely disappointed in the Australian Competition and Consumer Commission's (ACCC) decision to reject the carrier's proposed alliance with Air New Zealand.

Qantas CEO Geoff Dixon said it is particularly disappointing that the ACCC "had not properly taken into account significant additional information and expert evidence" that had been provided to the ACCC following issuance of its draft determination in April 2003.

"There has been a stark contrast between the process followed by the New Zealand Commerce Commission and that followed by the ACCC," Dixon said. Last month, the New Zealand Commerce Commission held a six-day public forum to hear evidence in person from interested parties and to examine new evidence submitted after its draft determination in April.

"This was an extremely informative week that, we believe, resulted in the New Zealand Commerce Commission gaining a much better understanding of the rationale for the Qantas/Air New Zealand alliance," Dixon stated.

"The ACCC took a very narrow view of competition and consumer interests in its April draft determination, either

ignoring or underestimating the significant structural challenges facing airlines around the world.

"This approach has continued, with the ACCC not adequately considering the significant further changes in our industry, including in our region, over the past five months."

Dixon said Qantas is reviewing the ruling to determine the appropriate response, including the possibility of an appeal to the Australian Competition Tribunal.

## Update: China's New Baiyun International Airport

Derong Liu, project director of China's new Baiyun International Airport for the aviation division of Parsons, said construction is within budget and on time with the main 300,000-square-meter terminal complex. The west and east runways, taxiways and passenger jetways are all completed.

"To meet our schedule, all equipment, such as the newly arrived ticket counters from the Netherlands, and interior design will be done by late October 2003," said Liu.

He explained that after the installation of all needed airport equipment, there will be an "extensive six month testing period to make sure everything works, including baggage systems, electrical lighting, fire protection, security, moving sidewalks, elevators and escalators."

Liu added that by April 2004, the airport will be turned over to the Guangdong Provincial Government, which "will conduct another several months of testing and review" with the scheduled opening slated for June 2004.

Baiyun International is "budgeted from the central government at approximately \$500 million, about one-third of what it would cost if you build the same airport complex in America," said Liu.

One specific example offered was the flooring selected for the main passenger terminal. "There really is no need to spend \$40 per square meter for imported Italian granite when local Chinese granite looks and feels exactly the same—at a considerably lower cost. No one will know—or care—if the granite they are walking on comes from Harbin or Rome," said Liu.

He explained that the new airport will be an "F" category and will be fully capable of handling any modern jet aircraft, including the planned Airbus 380 super jumbo aircraft. "Our east runway was constructed with the super jumbo in mind and the thickness of the concrete can easily handle the weight of the A380."

He added that the new 500-room hotel, which is on the north side of the main terminal, is currently under construction and includes a convention and exhibition center with ballrooms and restaurants.

When the airport opens in the summer of 2004, the facilities ready for passengers will include air traffic control, aircraft fueling and all aircraft related systems, China Southern Airlines' new cargo center and the new Nanland Catering Center and the Terminal Complex, which includes the hotel/convention/exhibition center, lounges, departure gates, and transit areas.

In addition, more than 25,000 square meters of commercial space will be available at the opening for visitors and departing passengers, including restaurants/cafeterias, fast food, retail shopping, banks, post offices, currency exchange, first aid and more.

Three different categories of airport lounges have been built and will be offered in three categories: four exclusive VIP lounges; eight first and business class lounges for China

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## 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.

Southern Airlines' Sky Pearl Club, as well as other domestic and international airlines, and special membership-only club lounges

The first phase of the terminal complex of the airport will be 305,000 square meters, which is 20,000 square meters larger than Beijing Capital Airport and approximately 50,000 square meters bigger than Pudong International in Shanghai.

The terminal complex will ultimately be built out to 700,000 square meters.

The new airport is located 22 kilometers from the current city airport and Guangzhou residents will arrive either via a high-speed Metro (currently under construction) or an ultra-modern, three-lane freeway that is already open for use.

The ground floor will house additional commercial space and the lowest level, linked by elevator and escalator, will be the entrance to the Metro to downtown Guangzhou.

### **New Operator Takes Over Curacao International Airport**

Curacao Airport Partners (CAP), a consortium led by Alterra Partners, on Aug. 1 took over the operations of Curacao International Airport in the Netherlands Antilles. The consortium also includes Trabajos Industriales y Mecanicos, C.A. and Janssen de Jong Caribbean.

The consortium completed the transition activities in the key operations and administrative areas within three months with the support of the approximately 150 airport employees, according to an announcement from the consortium. In the same period, CAP obtained financing from a consortium of banks comprised of DVB AG and Maduro & Curiel Bank for the design and construction of a new passenger terminal building. The design is already underway, and the construction is scheduled to commence later this year.

Alterra said it is working in partnership with the government and stakeholders to develop the airport as a catalyst for

wider economic development and increased employment on the island. Alterra said its vision is to develop the airport beyond the current tourism-dependant operation and establish Curacao as a leading Caribbean passenger hub.

"We immediately want to focus on the highest quality customer service so that our passengers and airport users can expect pleasant and effective support when they visit the airport. This emphasis on customer services is and will be a core objective throughout the organization," said Walter Abernathy, CEO of Curacao Airport Partners.

The airport has one of the longest runways in the Caribbean at 3,410 meters. Last year the airport handled 1.1 million passengers.

### **Contracts Signed For Expansion At Scotland Airports**

Heery International said it has signed two major contracts at Scotland's Glasgow Prestwick International and Edinburgh airports.

At Edinburgh airport, BAA has renewed its partnership with Heery for a \$18.9 million expansion program. As part of the Edinburgh team, Heery will provide planning, design and program management and support services for the new project, which will improve access to international arrivals, extend the departure lounge and baggage hall, as well as improve the airport's retail area. The project is currently in design, with construction to start in late February 2004.

Heery earlier completed an assignment as construction manager on a five-year, \$126 million redevelopment of the airport that was completed in 2001.

At Glasgow, Heery International is part of the team lead by the Parr Partnership to provide master planning for a proposed major expansion. The project is intended to create a blueprint for a major international hub at Glasgow Prestwick and anticipates a growth in passenger numbers from its current 1.5 million to more than 10 million per year. Heery's role centers

around programming and phasing advice for the project, which addresses infrastructure, parking, retail and hotels, the company said.

### **Beijing Airport Plans New Runway, Terminal**

Beijing Capital International Airport Co. said Sept. 10 that it has received authority to build a new runway and terminal at Beijing's airport, as well as associated facilities.

The expansion of the current airport will include construction of a new runway and associated taxiways and infrastructure; a 350,000 square-meter passenger terminal next to the runway; a high-speed passenger transport system linking the new terminal to Beijing Airport's Terminal Two; an apron large enough to hold 100 aircraft parking stands; a 300,000 square-meter parking lot, and support facilities.

### **Qatar's Doha International Opens Expanded Area**

Qatar Airways, the national carrier of Qatar, announced the second phase of expansion to Doha International Airport.

Carrier CEO Akbar Al Baker said the

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*Editor* ..... Barbara Cook

*Production*

*Editor* ..... Holly Ackerman

Spencer Dickerson, C.M.

*Executive Director*

Will James, C.M.

*Managing Director, Canadian Programs*

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airline will spend more than \$38.4 million to expand the arrivals and departures terminal this year, to increase the capacity of the airport from 4.2 million passengers to 7.5 million passengers.

The expansion of the terminal building is part of a half billion Qatari program to improve the capacity of the airport this year, as Qatar Airways continues to grow.

In 2003, the airport's terminal capacity will increase from 4.2 million passengers to 7.5 million passengers; the duty-free area will be enlarged, new aircraft stands will be added, and parking will be developed for 2,000 vehicles.

Other improvements to Doha International include: streamlined check-in and transfers for passengers, with the addition of extra check-in and transfer counters; check-in counters have been increased to 44, and transfer desks to 17; streamlined immigration services, with the addition of more immigration counters in the arrivals and departures terminal; 13 new counters for hotels, car hire and other passenger services; an increase in the number of banking facilities in the arrivals and departures terminals; new cafe facilities; installation of the latest x-ray security systems, and new and contemporary waiting areas for families and friends in the arrivals terminal.

### **Bank of New York To Provide Jamaica Airport Services**

The Bank of New York announced Sept. 15 that it has been selected to provide offshore trustee services to MBJ Airports Limited Jamaica (MBJ) for a \$135 million expansion project at the island's second largest airport in Montego Bay.

Sangster International Airport is the gateway to the island's major resort locations in Montego Bay, Negril and Ocho Rios and is undergoing a government sponsored expansion that will enable it to serve over five million passengers annually. MBJ will operate

the airport under a contract with Airport Authority of Jamaica for 30 years.

MBJ Airports Limited, operator of Sangster International Airport, is a consortium comprising four companies: Dragados, in Spain; AGUNSA, in Chile; Vancouver Airport Services (YVRAS), in Canada; and ASHTROM, in Israel.

### **Passenger Traffic Improves At Hong Kong International**

Passenger traffic at Hong Kong International Airport reached 3.02 million in August, up 22.3 percent from July.

"Visitors from most of our main markets have returned to pre-SARS (Severe Acute Respiratory Syndrome) levels, while traffic from Japan and North America was still at 90 percent," the authority said.

Cargo volume for August was 219,000 metric tons, up 5.5 percent over August 2002. Aircraft movements in August fell 7.9 percent over the same month in 2002, to 16,885.

### **Japan Air Lines To Acquire 767-300 Aircraft**

Boeing, JAL Group and Mitsubishi Corp. said they have finalized an agreement for the acquisition of seven new 767-300ER airplanes, which is a follow-on order to increase JAL Group's 767 fleet to 40 by 2006.

The order was valued at \$850 million and the aircraft are to be used on domestic and regional routes.

### **Korean Air To Take Over Aerospace Company**

Korean Airlines announced it will take over Daewoo Industries' stake in Korea Aerospace Industries (KAI), Korea's largest aerospace company, paving the way for Korea's flagship airline also to be the country's only aircraft manufacturer.

Korean Air said it has signed a preliminary agreement with Daewoo General Machinery to take all the shares Daewoo has in KAI. The carrier also has tentative deals with the

Hyundai and Samsung groups, the other two group shareholders in KAI.

Hyundai Motor, Daewoo and Samsung Techwin each own about 28 percent of KAI while a group of creditors owns 15 percent.

Korean Air estimated the value of the transaction to be in the range of \$85 to \$108 million.

### **U.S. FAA Rates Countries On Safety Standards**

The U.S. Federal Aviation Administration (FAA) announced that Bulgaria and Poland do not comply with international safety standards set by the International Civil Aviation Organization (ICAO).

FAA said it will periodically review the situation in Bulgaria and Poland and encourage improvements that will qualify them for the agency's top rating.

### **Cape Verde Gains Highest U.S. FAA Rating**

The U.S. Transportation Department announced that the African nation Cape Verde meets international standards for aviation safety and has been awarded a Category 1 rating by the U.S. Federal Aviation Administration (FAA).

In June 2002, the U.S. and Cape Verde reached an open skies aviation agreement, which removes all restrictions on air services to, from and beyond each other's territory.

### **SN Brussels Airlines Considers Merger**

SN Brussels Airlines said it is considering a merger with Virgin Express Holdings to create a single major airline at Belgium's Zaventem International Airport.

The airline said it had no "objections," and that Virgin's shareholders had no objections either.

SN Brussels is the successor company of Belgian carrier Sabena. Virgin Express is Richard Branson's low-fare airline. Analysts say Brussels is too small for two successful airlines.

## News From Around The World

**LOT Polish Airlines and United Airlines** have signed a commercial cooperation agreement. Under the new agreement, LOT will code share beyond its U.S. gateways of Chicago, New York, and Newark on United flights to nearly 30 cities, including Boston, Denver, Washington Dulles, San Francisco and Los Angeles. The code share becomes effective Oct. 26, the day LOT becomes an official member of Star Alliance.

**Qatar Airways** recently signed an agreement with Standard Chartered Bank in Doha for a \$736 million Interest Rate Swap transaction, which provides an interest rate hedging facility to Qatar Airways to fix its long-term borrowing costs for a total of 12 aircraft. The facility extends up to 12 years and is aimed at providing Qatar Airways with protection against possible interest rate rises, the company said.

**British Airways** said it is talking with **Boeing** about possibly using the 7E7 Dreamliner to replace the carrier's fleet of Boeing 767s. Boeing's 7E7 is still in the planning stage. The 200-seat 7E7 is expected to enter service in 2008 with a stretched 250-seat version.

**SAS** has strengthened its presence in the Baltic region by taking a 49 percent share in **Estonian Air**. SAS, which is buying the stake from Denmark's Maersk Air, also said it may increase its stake in the Tallinn-based carrier and has signed an agreement with another shareholder, Estonian banking firm Cresco. The Estonian government, with a 34 percent stake, is the other shareholder in the airline, which has a strong presence on routes to Copenhagen and Stockholm.

QantasLink will commence a direct weekly service between **Perth** and **Kununurra** in the northwest region of Western Australia, beginning in May 2004.

**FedEx Corp.** said it has no immediate plans to move its Asia Pacific hub,

which is now located in Subic Bay, but said it is exploring possible sites for expansion.

The Indian cabinet has approved the privatization of the country's two biggest airports in **New Delhi** and **Mumbai** in an effort to make India an international aviation hub, according to published reports. Joint venture companies with 74 percent private equity will run these airports, but security and air traffic control will remain in the hands of the Airports Authority of India, a federal government agency, the reports said.

The **U.S.** and **Thailand** have negotiated an agreement that extends open skies authority to American and Thai express and cargo carriers.

**Air Canada** and GE Capital Aviation Services (GECAS) have signed a global restructuring agreement, as contemplated by the letter of intent dated July 3, 2003, respecting the restructuring of GECAS aircraft, as well as new financing in the amount of \$425 million. The global restructuring agreement also contemplates additional financing to finance up to 43 70-110-seat aircraft through a series of transactions once Air Canada has selected the aircraft manufacturer.

The U.S. has selected six airlines to operate new all-cargo air service between **Hong Kong** and third-country cities in conjunction with their U.S.-Hong Kong services. Carriers selected to operate new or expanded service are Federal Express, United Parcel Service, Evergreen International, Kalitta Air, Northwest and Polar Air Cargo. All carriers filing applications have a share in the new opportunities. The new services increase U.S.-carrier all-cargo flights between Hong Kong and third countries from the eight weekly roundtrip flights available prior to last year's agreement up to a new weekly total of 48.

China Southern Airlines and KLM Royal Dutch Airlines on Sept. 16 announced new joint long-haul 747 freighter services between **Shanghai**,

**Pudong Airport** in China and **Amsterdam, Schipol Airport** in the Netherlands. This new joint China Southern/KLM 747 cargo service will begin Oct. 15. As part of this new cargo accord, China Southern Airlines will launch new twice-weekly service between Amsterdam and Shanghai ... while KLM Cargo will continue its current twice-weekly freighter services on the same route.

**BAA Plc** said the U.K. government wants to relinquish its "golden share" that protects the airport operator from takeover, opening the firm to possible offers. As a result, BAA said it would propose a resolution to shareholders to remove the 15 percent shareholding limitation in its corporate rules.

**Delta Air Lines** and **Avianca**, a member of Alianza Summa, announced the implementation of the second phase of their codeshare alliance. The second phase of the codeshare agreement allows Delta to sell seats on Avianca flights between Bogota and Baranquilla, Cali, Cartagena, Medellin and Pereira; between New York (JFK) and Bogota and Medellin; and between Miami and Bogota, Baranquilla, Cali, Cartagena and Medellin. Delta will market both the southbound and northbound portions of these routes.

LSG Sky Chefs has agreed to acquire the England assets of airline catering operator Abela at **London Gatwick Airport, London Heathrow Airport and London Stansted Airport**. Under the terms of the agreement, LSG Sky Chefs will purchase the fixed assets of Abela's airline catering operations at both London Stansted Airport and London Gatwick Airport, as well as Abela's halal facility at London Heathrow Airport.

**Air Canada** has not indicated that it favors an increase in the limit on foreign ownership to rescue it from financial trouble, Canadian Transport Minister David Collenette said Sept. 16.