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Financial Rescue Plan Approved For Air Canada

A Canadian court on Jan. 16 approved a \$2 billion rescue plan for Air Canada that would enable the company to emerge from bankruptcy protection. Trinity Time Investments, controlled by Hong Kong-based Canadian businessman Victor Li, would invest C\$650 million (US \$500 million) in the airline for a 31 percent controlling stake. The court also approved \$1.5 billion of financing from aircraft lessor General Electric Capital Aviation Services.

Calin Rovinescu, chief restructuring officer at the airline, said Air Canada expects to "proceed expeditiously" to complete the steps taking it out of bankruptcy protection.

The airline obtained court protection from creditors on April 1, 2003, to restructure some C\$13 billion of debt and aircraft lease obligations, reduce its work force, operating costs and schedules. Air Canada predicted it could complete its restructuring by the end of April. Under the agreement with Trinity, creditors would be offered 44 percent of the restructured airline to compensate for their claims. They would also have the right to purchase almost all of the remaining equity at a discount.

IATA Predicts Positive Traffic Growth In 2004

IATA Director General and CEO Giovanni Bisignani predicted that international airlines will experience positive traffic growth in 2004, following a decline in the first half of 2003.

"In 2003, the combination of war in Iraq, ongoing security concerns and SARS (Severe Acute Respiratory Syndrome) has tested the mettle of the air transport industry in an unprecedented manner," said Bisignani.

"Painful recovery strategies, industry resilience and willingness to adapt have been essential on the road to recovery."

Monthly traffic growth has resumed, Bisignani said, adding that IATA anticipates overall international passenger numbers for 2003 will be only 3 percent to 4 percent lower than 2002.

"Positive growth is expected in 2004, with a bounce-back of 7 percent to 8 percent in international passenger traffic, with Asia Pacific leading all regions," said Bisignani. "We must not forget, however, that passenger traffic figures are still below pre-September 11 levels."

International freight traffic remained strong during 2003 and is likely to record a 5 percent increase for the year, Bisignani added.

Nav Canada Completes System Modernization

Nav Canada announced that it has completed the modernization of its Montreal Area Control Centre and its air traffic control tower located at Montreal-Pierre Elliott Trudeau International Airport, an investment of \$11 million.

"We are continuing to invest in the safety and efficiency of our air navigation services in Quebec," said Kathy Fox, vice president-operations for Nav Canada. "These new systems go hand in hand with well-staffed facilities and a solid training program for all operational staff."

The new operations room at the Montreal Area Control Centre and the air traffic control tower at Montreal-Pierre Elliott Trudeau International are now equipped with state-of-the-art electronic systems. For instance, the Integrated Information Display System/Extended Computer Display System (IIDS/EXCDS) significantly reduces the need for voice communications among controllers, and integrates flight data by providing

controllers with rapid and reliable access to a host of air traffic information. This includes air traffic flow, runway data, weather and approach charts, and other graphic information.

With the renovation of the tower, controllers can use touch-sensitive electronic flight progress strips rather than traditional paper strips, using the Nav Canada-designed IIDS/EXCDS. This same system has recently attracted international recognition with a decision by UK NATS to purchase it for use in the three airports around London, Nav Canada said.

U.K. Airports Gain Passenger Traffic In December

Ten million passengers traveled through BAA's seven U.K. airports in December, an increase of 6.2 percent compared to December 2002, the airport operator said.

The airports experienced their busiest ever Christmas travel period and handled a record number of passengers in the calendar year 2003, up 3.6 percent at 131.1 million, compared with 2002, according to BAA.

Of BAA's U.K. airports, Stansted, Glasgow, Edinburgh and Southampton experienced record traffic in 2003. Heathrow and Gatwick, however, recorded figures lower than in 2000.

Most major markets saw increases in December, with European scheduled traffic performing strongly, up 9.9 percent, North Atlantic traffic up 2.1 percent, and other long haul traffic up 8.7 percent, BAA said. Domestic routes grew by 4.2 percent while European charter traffic dipped 3.3 percent.

The increase in air transport movements at BAA airports in December of 2.1 percent was significantly less than the growth in passengers, reflecting higher load factors. Cargo tonnage rose

by 1.6 percent in December, continuing its gradually improving trend, BAA noted.

Countries Place EDS Orders For Airport Security Screening

InVision Technologies announced it has received orders from customers in three different countries for explosives detection systems (EDS) to screen checked baggage in international airports. These international orders are for CTX 9000 DSi automated EDS and CTX 2500 EDS.

The total dollar value of these orders is \$22.9 million. All systems are expected to ship by the end of calendar year 2004 with the exception of the order for China, which was shipped at the end of 2003.

China placed its first order with InVision for CTX 9000 DSi automated EDS. Spain placed a follow-on order for CTX 9000 DSi automated EDS after installing multiple similar units in 2003. One additional country, which requested to remain unidentified, ordered CTX 9000 DSi automated EDS and CTX 2500 EDS.

"We are experiencing an increase in international awareness of InVision's core EDS technology as the world's airport authorities strive to enhance aviation security," said Sergio Magistri, Ph.D., president and CEO of InVision.

The CTX 9000 DSi automated EDS is integrated directly into the airport's baggage handling system to reduce operating costs, increase security and improve passenger experience and convenience. The CTX 2500 EDS is InVision's smaller machine, designed for size-critical airport locations.

Air Canada Posts Gain In RPMs In December

Air Canada reported that it flew 0.2 percent more revenue passenger miles (RPMs) in December 2003 than in December 2002.

Overall, capacity decreased by 2.6 percent, resulting in a load factor of 72.0

percent, compared to 70.0 percent in December 2002, an increase of 2.0 percentage points.

Jazz, Air Canada's regional airline subsidiary, flew 2.4 percent more revenue passenger miles in December 2003 than in December 2002, according to preliminary traffic figures. Capacity decreased by 4.0 percent, resulting in a load factor of 59.4 percent, compared to 55.8 percent in December 2002, an increase of 3.6 percentage points.

"At a system level, December traffic moved into positive territory after 12 months of decline reflecting a strong Pacific and much higher demand for Caribbean, Mexican and South American destinations," said Rob Peterson, executive vice president and chief financial officer.

American Adds Self-Service Check-In Units In Paris Airport

American Airlines said that passengers traveling to the U.S. from Paris Charles De Gaulle Airport have been moving through the airport more quickly, thanks to its four newly installed self-service check-in machines. American said it is the first U.S. carrier to offer automated check-in for international travel from Europe, and is planning additional deployments in other major European gateways.

The machines also may be used by passengers with connections beyond Dallas Fort Worth, New York John F. Kennedy, Miami and Chicago airports, including all of American's destinations in the continental U.S., Hawaii, Alaska, US Virgin Islands and Puerto Rico.

EC, Eurocontrol Sign Cooperation Agreement

The European Commission (EC) and Eurocontrol have signed a cooperation agreement in which Eurocontrol agreed to contribute to the Single European Sky project.

The Single European Sky is an initiative to reform the architecture of European air traffic control by introduc-

ing a more integrated operating air-space, interoperable systems and more efficient air navigation service provision to deal with the challenges facing European air traffic, the EC said. Increased cooperation between the EC and Eurocontrol is needed to ensure that the rules and strategies of both organizations are consistent, and to avoid duplication of efforts.

Terms of the agreement will allow the EC to benefit from the expertise of Eurocontrol in the development of the Community Single European Sky rules. Further, Eurocontrol and the EC will extend their cooperation to other areas such as research and development, technical information, data collection and analysis in the air traffic and environmental areas, global satellite navigation systems (Galileo) and international cooperation with a view to build a unified European vision of future air traffic management systems.

UPS To Acquire Japanese Partner Company

UPS announced it will acquire the minority shareholding of its joint-venture partner in Japan, Yamato Transport Co. Effective April 1, 2004,

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the joint-venture company, UPS Yamato Express Co. will become a wholly-owned company of UPS.

“As the world’s second largest economy, Japan is a very important market for UPS,” said Ken Torok, president of UPS Asia Pacific. “The wholly owned company will strengthen our express operation and complement our existing global distribution and logistics capabilities.”

UPS and Yamato Transport Co. also have agreed to continue their cooperation in the Japan express market. UPS will utilize Yamato’s domestic network, while Yamato Transport will take advantage of UPS’s comprehensive global network for its international express shipments.

UPS said it now will have the flexibility to invest in new facilities and technology and expand operations in Japan.

Vienna Airport Development Projects Outlined

Capital expenditure programs scheduled by Flughafen Wien AG for Vienna International Airport for the coming years were announced recently by Herbert Kaufmann, speaker of Flughafen Wien’s management board.

The planned projects have been optimized and adjusted to reflect the good traffic development recorded in recent months, Kaufmann said. Results yielded a new investment volume of 722 million euros through 2008, which represents a 51 million euro reduction from the level announced in September 2002.

For 2004, capital expenditure is forecast to total 185 million euros. The most important projects this year include completion of the air traffic control tower, the office park, and expansion of the northeast apron area, Kaufmann said.

The largest component of capital expenditure during the coming years will be the Skylink project for expansion of the terminal and the baggage sorting system with a combined volume of 280 million euros.

Further, the airport announced that it

expects passenger numbers to increase 4.6 percent this year as the aviation industry continues to recover.

Airport passengers increased by 6.8 percent in 2003 over 2002. Low-cost carriers contributed to last year’s strong growth, the airport said.

Debt Ratings of Colombia Airport Developer Affirmed

Standard & Poor’s Ratings Services said that it affirmed its double B rating on Compania de Desarrollo Aeropuerto Eldorado S.A.’s (CODAD) \$116 million 10.19 percent notes due 2011.

The stable outlook reflects the outlook assigned to the Republic of Colombia. The outlook also reflects the fact that CODAD currently is dependent on the minimum revenue guarantee from AEROCIVIL to service debt, S&P said.

“Given the limited liquidity of funds set aside, we remain somewhat concerned about the possibility of delays in timing under the guarantee,” said S&P credit analyst David Gonzalez.

“Further declines in landings or evidence that AEROCIVIL may be distancing itself from its guarantee—an action which, to date, has not arisen—could result in a downgrade,” added Gonzalez.

CODAD is a special-purpose corporation that was awarded a concession contract by the Republic of Colombia governmental unit AEROCIVIL, the operator of Colombian airports and the nation’s equivalent to the U.S. FAA.

The contract obliged CODAD to build a second runway, which opened in June 1998, at the Eldorado airport in Bogota and maintain both runways through the end of the concession contract in 2015. In return, CODAD collects all landing fees through 2015. Landing fees, as well as minimum revenue guarantee payments from AEROCIVIL, secure the bonds.

Sydney Airport Reports Increase In First Half Earnings

Southern Cross Airports Corp. announced a 15.7 percent increase in

earnings for Sydney Airports in the first half of 2004.

Max Moore-Wilton, chairman/CEO of Sydney Airport. Corp., said that the improved half year results were “a welcome indication of a return to passenger growth in the international and domestic aviation markets after the difficult and unstable period resulting from the Iraq hostilities and the SARS (Severe Acute Respiratory Syndrome) outbreak.”

Moore-Wilton added that Sydney Airport is demonstrating good progress in achieving its planned restructuring, which would lead to a lower cost base and improved efficiencies in airport operations.

Raytheon Awarded ATC Systems Contract For Iraq

Raytheon Co. has been awarded a contract to supply turnkey air traffic management systems for airports in Iraq, the company announced.

The initial award is for \$10.5 million, with additional equipment options of up to \$38.9 million. Work under this contract will restore full, all weather air traffic control capability to the key commercial airports in Iraq and reestablish the infrastructure needed in order for Iraq to rejoin the international air traffic community, the company said.

Raytheon said it will supply state-of-the-art navigation and landing aids, airfield lighting, airport meteorological equipment, as well its all solid-state, digital terminal area surveillance radars and Raytheon AutoTrac II air traffic management systems.

Singapore Airlines To Increase Capacity, Begin New Services

Singapore Airlines said it will increase capacity by 3.1 percent for the summer and begin a new 18-hour nonstop service to New York.

Both the New York service and the 16-hour flight to Los Angeles are targeted at business travelers and use new A340-500 aircraft.

News From Around The World

LanChile said it has taken delivery of its first new Airbus 319 aircraft to be used for the company's LanExpress flights within Chile. The new aircraft will initially be used for LanExpress flights to Antofagasta, Calama, Puerto Montt, Coihaique and Punta Arenas. Later, it will be extended to cover other points throughout the country.

WestJet said it carried 6.9 million passengers during the year, an increase of 1.1 million over the 5.8 million passengers carried in 2002. This represents an increase of 19.1 percent on a year-over-year basis.

The **Belgian** government will sell shares in **Zaventem airport** directly to institutional investors, avoiding listing the company on the stock exchange.

China Southern Airlines said its passenger traffic fell 4.8 percent and cargo traffic declined 1.3 percent in 2003 compared to the previous year. However, passenger traffic grew 17.3 percent and cargo traffic rose 13.1 percent in December from a year ago, the airline said.

Thailand's budget airline operator, **Thai AirAsia**, said it expects to break even within eight to 10 months after beginning operations in February 2004.

Cathay Pacific Chief Executive David Turnbull said the airline hopes to experience annual operational growth of as much as 8 percent in the years ahead. "I want the airline to be bigger, a lot bigger, and serve more interesting destinations worldwide. We also aim to remain a full-service, premium-product airline because that is what I think we are best at," he said.

Sydney Airport's International Terminal T1 has been awarded a four-star ranking in the Skytrax 2003 World Airport Quality Ranking Program. "Sydney Airport is the only Australian airport to receive such a high rating and was rated in the four-star category alongside the best of the best in world

airports, including Schiphol, Dubai, Hong Kong, Kuala Lumpur and Seoul airports and behind Changi (Singapore), the only airport to be rated Five Stars," stated Sydney Airport Corp. CEO Max Moore-Wilton. Sydney's T1 was awarded individual five-star ratings for the selection of retail shopping and internet facilities provided for passengers.

Mexico City International handled a record 21.6 million passengers in 2003, 3 percent more than in 2002.

Delta Air Lines announced expansion of its service between **Cancun, Mexico**, and **Atlanta's Hartsfield-Jackson International Airport**. Effective April 4, Delta's Saturday-only flight will be rescheduled to fly daily.

ANA (All Nippon Airways) and Boeing announced that the two companies have signed a definitive service agreement for the installation of the Connexion by Boeing mobile Internet service on the air carrier's long-haul fleet of aircraft. The announcement was augmented by an agreement with SES AMERICOM for satellite coverage over the North Pacific region, to be used by ANA and other leading global air carriers.

Moody's Investors Service said the growth prospects for **China's** airline industry are generally strong. The ratings firm predicted that domestic and international passenger traffic will continue to expand.

American Airlines announced that it would reposition its **London Gatwick** operations to the airport's North Terminal. The move, which will be completed by the end of April, will place American in the same terminal as British Airways, simplifying connections between the two carriers, both of which are founding members of the oneworld Alliance.

The **Peruvian** government agency responsible for public airports will invest

more than \$20 million to upgrade equipment and infrastructure at airports this year. Last year, the agency invested \$10 million to improve facilities at regional airports.

WestJet announced it has completed a debt financing facility arranged by ING Capital LLC and supported by loan guarantees from the Export-Import Bank of the U.S. (Ex-Im) for US\$358 million. The facility, which includes ING Bank of Canada, Fortis Capital Corp., and Societe Generale (Canada) as lenders, will support the purchase of 11 Boeing Next-Generation 737-700 series aircraft. WestJet received delivery of the first of these aircraft on Jan. 15 and will acquire the remaining 10 aircraft by year-end 2004.

Embraer said it delivered 101 aircraft in 2003 compared with its forecast of 102 aircraft. The manufacturer said it maintains its forecast for deliveries of 160 and 170 commercial, corporate and defense aircraft in 2004 and 2005, respectively.

Moody's Investors Service changed the outlook for the Ba3 Senior Implied Rating, the B1 Senior Unsecured Issuer rating, and the B2 Subordinated Ratings of **Scandinavian Airlines System** to negative from stable. The outlook change reflects the structural challenges SAS faces, which are similar to the ones the other European flag carriers have to deal with, but which are compounded by SAS' reliance on its home market, its already weak financial structure, and Moody's expectation that the signs of recovery in traffic are tenuous and not supported by any recovery in yields, the ratings firm said.

American Airlines said it will enter a new codesharing agreement with **Mexicana de Aviacion**, and will also sign a frequent-flyer agreement under which members will be able to accrue and redeem miles interchangeably on both airlines.