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BAA Renews Commitment To Invest In London Airports

BAA plc published its annual long-term forecast and capital expenditure projections for London Heathrow, Gatwick and Stansted airports, stating that it will invest more than 8 billion pounds Sterling (in 2004-2005 prices) over the period 2003-2014.

The capital program commits BAA to extensive investment in its London airport facilities. The centerpiece of the capital program, Heathrow's Terminal 5, remains ahead of schedule and on budget with a total cost of approximately 4.2 billion pounds at 2004 prices. Terminal 5 is 35 percent.

BAA's agreement with British Airways for the airline to occupy Terminal 5 in a single move in 2008, rather than phasing its occupancy over four years between 2008 and 2012, will free capacity in Terminal 1 at an earlier date, BAA said. This will enable work in Terminals 1 to 4 to proceed more quickly and efficiently and ensure consistency of service standards across the airport, the company explained.

Improvements to Heathrow's Terminal 3 will accommodate the new generation large aircraft, the A-380.

Upcoming Events

July 18-20, Toronto, Canada... Large Hub Winter Operations Conference and Exposition.

August 29-September 1, Copenhagen, Denmark... U.S./European Airport Issues Conference.

October 24-26, Seoul, Korea... Airport Issues Conference.

November 7-10, Salzburg, Austria... U.S./Central Europe Airport Issues Conference.



Tonci Peovic, general manager of the Dubrovnik, Croatia, Airport and IAAE board member (second from left), hosted a high-level U.S. congressional delegation April 16-19, 2004, in Dubrovnik. Included in the delegation were Rep. Hal Rogers (R-Ky.), chairman of the House homeland security appropriations subcommittee (third from left) and Rep. John Duncan (R-Tenn.), member of the House aviation subcommittee (fifth from left).

There are also further improvements planned for Terminals 1 and 2, including Terminal 1's "flightswitch," which is part of a program to enable the central terminals to accommodate the full range of long-haul and short-haul flights.

The plan also carries forward the progressive expansion of Gatwick, although at a slightly slower rate to match a marginally reduced rate of projected traffic. BAA said it is spending around 840 million pounds to grow the airport from the current traffic level of 30 million passengers a year, to just over 40 million passengers by 2014.

Stansted's development program will target the rapid growth of low-cost carriers in a cost efficient way, BAA said. These capital projections exclude the costs of the Generation 2 second runway and terminal project.

The government's policy in favor of a second runway at Stansted may obviate the need for a standby runway, BAA said. However, until planning permission for

the second runway is granted, this project will be placed on hold. Over 660 million pounds will be invested in Stansted to enable traffic to grow to 34 million passengers a year by 2014.

BAA chief executive Mike Clasper said, "This program shows BAA's ongoing commitment to developing our airports to meet the needs of our stakeholders. Our aim is to deliver airport capacity and services to match spending to the needs of our passengers and airlines, and deliver airport capacity and services that represent value for money."

NavCanada To Increase Service Charges Aug. 1

NavCanada announced May 12 that it will increase service charges by 7.9 percent on average in order to continue its present level of air navigation services and to break even in fiscal year 2004-2005.

The company said that, on a per-passenger basis, this amounts to 78 cents more per one-way ticket for a flight from Toronto to Montreal, 74 cents for Calgary to Edmonton, 92 cents for Halifax to Toronto and \$1.69 for Montreal to Vancouver.

“With the proposal, our service charges would still be 20 percent below the old Air Transportation Tax they replaced in 1997-98,” said John Crichton, NavCanada’s president and CEO. “This is despite the negative impact on our revenues of the downturn and slow recovery of air traffic since 2001.”

The new charges will come into effect Aug. 1, 2004, with changes to annual and quarterly charges to come into effect March 1, 2005. The proposal is now subject to the mandatory consultation period that terminates July 12, 2004.

Crichton said, “We have done our utmost to generate non-aeronautical revenue and control costs while meeting our safety and service obligations. This proposal is a last resort required to ensure a safe and reliable air navigation system going forward.”

From 1997 to 2003, NavCanada reduced its annual operating costs through restructuring by \$100 million, passing along cumulative savings of \$527 million to customers, Crichton said. He noted that, for fiscal 2002 and fiscal 2003, the company put in place further expense control measures that yielded savings of \$40 million and \$60 million, respectively, compared to the company’s approved budgets. Further savings of approximately \$50 million compared to budget are anticipated in the current fiscal year.

Cost control measures have included a non-operational hiring freeze, which remains in effect; management salary restrictions on two occasions since September 2001, both for one-year periods; overtime expense reductions, and additional savings in administrative areas such as travel, information management, non-technical training and telecommunications. Further efficiencies are being implemented through a revamping of IFR air traffic controller training, consolidation of the

Ottawa Terminal Control Unit into the Montreal Area Control Center, and a system-wide review of service levels, he said.

“All of these measures have enabled us to mitigate the impact of the worst downturn in aviation history,” Crichton said. “More drastic action, such as laying off operational staff and closing airspace, would only lead to airspace restrictions which would in turn increase aircraft operating costs much more than the reduction in NavCanada costs.

“Without the proposed increase, our financial deficit would grow yet again. We must take this action to get back to a break-even operation and ensure the financial integrity of the company—necessary to the provision of a safe, reliable and efficient air navigation system into the future,” Crichton said.

Singapore Airlines To Set New Nonstop Flight Record

Singapore Airlines (SIA) will break its own record for the world’s longest distance flight with the launch of non-stop services from Singapore to Newark International, beginning June 28.

The new flight tops the existing record by 1,000 miles, which was set on Feb. 3 when SIA began nonstop services between Singapore and Los Angeles.

SIA’s record-breaking A-345 aircraft will travel around 9,000 nautical miles on the Singapore to New York route. The flight will take about 18 hours in each direction and save passengers up to four hours in travel time, compared to the existing one-stop services. The distance covered on the SIA Singapore to Los Angeles service is 7,971 nautical miles.

Winnipeg Airport To Proceed With Development Plan

The Winnipeg (Canada) Airports Authority (WAA) recently announced plans to proceed with a phased airport site redevelopment program.

Barry Rempel, WAA president and CEO, outlined details that include a new airport terminal building of approximately 60,000 square meters to be located to the northeast of the existing terminal facility, targeted for completion

in 2009. Other components include a new 1,200 space parking structure, to be completed in 2006, as well as groundside site services and an additional aircraft parking apron. Total costs of the program are targeted in the \$350 million range, including approximately \$200 million for the new terminal building. Redevelopment will be funded through the Airport Improvement Fee.

Community consultation and industry cooperation were noted as key concepts for the multi-phase program. “Our process to date has included active input from all stakeholders,” said Art Mauro, chairman of the WAA Board of Directors, “including our carrier customers, others in the industry, the business sector, public sector, our staff and, most important, the community we are so proud to serve.”

Passenger traffic at Winnipeg for the first quarter of 2004 was 734,000, an increase of 9.9 percent from 2003. Commercial aircraft movements for the first quarter improved by 1.7 percent.

Changi Airport Gains 72nd Airline

Valuair, Singapore’s fourth flag carrier, began scheduled operations at Changi Airport in early May. Changi is served

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by 72 airlines with more than 3,400 flights to 164 cities in 53 countries.

Wong Woon Liong, director general of the Civil Aviation Authority of Singapore (CAAS), commented that, "At Changi Airport, we believe in working closely with our airline partners to achieve a win-win outcome. We will do what we can to create a conducive environment for our airline partners to make profits, and they in turn help to enhance Changi's status as an aviation hub."

Air France Completes Acquisition Of KLM

Air France in early May acquired control of KLM Royal Dutch, concluding a merger that creates the world's largest airline company.

Air France and KLM agreed to merge in September, creating an airline with combined revenue of about \$23.5 billion.

French Prime Minister Jean-Pierre Raffarin hailed the merger as a major step forward for European transportation. "Setting up this new group marks very important progress in the consolidation of the European transportation sector and, notably, benefits the consumer," Raffarin said in a statement.

Virgin Atlantic Posts Improved Financials

Virgin Atlantic posted its results for the 10 months ended Feb. 29, 2004, showing a pre-tax profit of 20.9 million pounds Sterling (\$37 million) on revenues of 1.272 billion pounds (\$2.25 billion). Last year's results showed a profit of 15.7 million pounds (\$27.8 million) on revenues of 1.401 billion pounds (\$2.48 billion) for the year ended April 2003.

Commenting on the results, Chairman Richard Branson said, "To record any sort of profit in the period of trading is impressive and I'm delighted that Virgin Atlantic has made over 20 million pounds (\$35 million) and much of that has been down to a great performance by all our staff over this period. While maintaining a tough grip on our costs,

we're starting to see positive signs in our revenues. Our passenger numbers are well up on last year, in fact our load factors have been around 90 percent over the last few months. Perhaps more significant is the improvement in passenger yields and the early signs of a recovery in the business class market. However, yields are still below historic levels while fuel prices are at a 13-year high, which means the trading environment remains tough.

"Nonetheless, the last six months of trading has encouraged us to plan to grow our business by around 10 percent annually going forward, and in the next year we plan to launch new routes such as Sydney, the Bahamas and Cuba while adding capacity to the Far East and across the north Atlantic," Branson said.

Groups Support Expansion Of Frankfurt Airport

Dr. Michael Rogowski, president of the German Industry Association BDI, and the chairmen of companies belonging to the organization Air Transport Initiative for Germany met May 17 at Frankfurt Airport to discuss concepts and strategies for the sustained strengthening of Germany's air transport industry.

The BDI president urged the elimination of "structural weaknesses such as capacity bottlenecks, lengthy planning periods, and high locational costs." German industry is awaiting the German federal government's clear acknowledgement of growth in air transportation, he said.

Dr. Wilhelm Bender, Fraport AG's executive board chairman, emphasized the renewed boom in air traffic and referred to the above average growth in passenger and cargo recorded at Frankfurt in recent months. In April 2004, passenger traffic at the airport climbed by almost 12 percent; for the Fraport Group overall, passenger traffic grew more than 18 percent compared to April 2003. Bender called for a national master plan for Germany's airports, including the integration of road and rail links, because "investments of billions of euros for terminals and

Asian Aviation Issues Conference Scheduled

AAAE and its affiliate the International Association of Airport Executives will host the first Asian Aviation Issues Conference on Oct. 24-27, 2004, in Seoul, South Korea.

Registration information for the Asian Aviation Issues Conference will be available in June. If you require additional information or would like to serve on the conference planning committee, contact Will James at (703) 824-0500, Ext. 149, or e-mail will.james@airportnet.org.

runways only make sense for the mega hubs used by the major airline alliances."

BAA Reports Strong Fiscal Year Growth

BAA reported that for the fiscal year ended March 31 passenger traffic at its airports rose 4.4 percent to 133.4 million persons.

Chief Executive Mike Clasper stated, "The underlying strength of our airport operations, retail offering and U.K. passenger traffic has been clearly demonstrated over the year." He added that, "Looking forward, although the international political outlook is likely to remain uncertain, we believe that robust passenger traffic growth will continue as the U.K. economy strengthens, along with those of key regions such as North America and Asia. We confirm our forecast of more than 6 percent growth in passenger traffic at our U.K. airports this year."

EC Clears Passenger Data For U.S. Use

The European Commission has approved the transfer of airline passenger name record data to the U.S. Department of Homeland Security (DHS).

The use of this data is critical in combating and preventing terrorism and serious trans-national criminal activity," stated DHS Secretary Tom Ridge.

News From Around The World

Copa Airlines was named the best airline in **Central America, Mexico** and the **Caribbean**, by SkyTrax, an English market survey company. The results of the survey, carried out between June 2003 and March 2004, were based on more than 10 million responses sent in by passengers of 90 different nationalities.

The government of **Canada** is amending its regulations for computer reservation systems for air travel to promote competition in the marketplace. The Hon. Jim Karygiannis, parliamentary secretary to the Minister of Transport, announced the publication of the amended Computer Reservation Systems Regulations. "These amendments reflect the government of Canada's desire to move to a more deregulated system that will protect the interests of air travelers and foster enhanced competition in the air industry," said Karygiannis. "They also recognize significant changes, such as the emergence of the Internet as an information and sales tool, that have occurred since the original regulations were put in place in June 1995."

The Bush Administration has supported a staff aide's decision that a Miami-based cargo airline is a U.S. company and is not illegally controlled by overseas interests. The Transportation Department denied a petition from FedEx Corp. and UPS to review the administrative finding on the closely watched and hotly contested international ownership dispute involving **Astar Air Cargo**, formerly known as DHL Airways.

More than 300 airport, emergency and health services personnel and volunteers took part May 12 in a full-scale exercise testing **Sydney Airport's** emergency plan. Sydney Airport Chairman and CEO Max Moore-Wilton said the simulated emergency called

Exercise Ibis IV was part of the airport's ongoing preparations for maintaining up-to-date emergency procedures.

Lan Chile recently was recognized by America Economia magazine as the most globally competitive airline in Latin America. America Economia noted that, "In the middle of a sea of negative results for the industry, Lan Chile increased its profits in 2003 and continues advancing its plan of regionalization, creating local airlines in other Latin American countries."

Air France posted a profit for the first three months of 2004, ending a "difficult" fiscal year marked by the SARS virus in Asia and costly strikes back home, the carrier said.

Virgin Atlantic announced that it has delayed the delivery of its A-380s by 18 months, with the new equipment now to be delivered beginning in 2007 instead of the summer of 2006. The carrier said the reasons for the delay include "industry suppliers are simply unable to deliver products which match our design ambitions within the current aircraft delivery schedule." In addition, the carrier said that, "There are one or two airports, including Los Angeles, which are central to Virgin's route plans for the A-380 (where) real concerns still exist. **Los Angeles International** denied that it will be unready to greet A-380 aircraft on schedule. Los Angeles World Airports said it has developed short- and long-term plans to accommodate Airbus 380 operations at the airport.

British private equity house 3i is interested in acquiring a stake in Belgium's main airport operator, BIAC, when it is fully privatized, according to published reports. BIAC is the manager of **Brussels Zaventem Airport**.

Hong Kong's air cargo throughput grew 22.5 percent in the year to April, according to published reports. Cargo throughput reached 249,000 tons last month, and the number of air travelers

using the airport was 5.8 percent higher at 3.09 million in April compared with the same month in 2002.

Sydney Airport in April recorded a 17.6 percent increase in traffic over the previous April. International passenger numbers for the month increased 30 percent, while domestic passenger traffic grew just over 12 percent.

Air Canada said May 19 that it will begin talks immediately on financing agreements with General Electric Capital Aviation Services and Deutsche Bank AG. The carrier failed to meet conditions on labor cutbacks set out by Deutsche Bank in its bailout offer. "We are too close to our goal to turn back. And so we will immediately commence discussions with Deutsche Bank and GECAS to determine next steps," Air Canada said.

British airport operator Planestation has bought a 30 percent stake in Irish airline EUjet, the anchor airline for its international airport in southern England, according to published reports.

Spain, which attracts 50 million tourists a year, is building its first private airport 125 miles south of **Madrid** in a bid to lure budget airlines. The airport, expected to be operational from the second half of 2006, is being built on the plains of **La Mancha**. The new airport has been nicknamed "Madrid's Luton" after the British airport outside London which challenges London's Heathrow and Gatwick, particularly in the budget flight market.

EasyJet has challenged the merger of **Air France** and **KLM** in the European Union court in Luxembourg, arguing that the European Commission should not have authorized it. The British low-cost airline said it has petitioned the court to annul the EC's decision on the grounds that it is anti-competitive.