

INTERNATIONAL AIRPORT REPORT

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U.S./Central Europe Conference Held

Over 140 delegates from 22 countries participated in the 10th Annual Central Europe/U.S. Airport Issues Conference, held Nov. 7-10 in Salzburg, Austria.

The conference was sponsored by AAAE, the International Association of Airport Executives (IAAE), Salzburg Airport W.A. Mozart, the U.S. Department of Commerce and the U.S. FAA.

Topics that were debated and discussed during the four-day conference included air traffic management and air traffic control in the U.S. and Europe, aviation security, airport infrastructure case studies, airport ownership models, non-aeronautical revenue development, airport concessions, airport wireless trends, environmental challenges and impact of airline restructuring and bankruptcy on airports.

Keynote speakers included Jane Garvey, former FAA administrator, and Dr. Gerhard Stadler, director of the General Secretariat for Eurocontrol.

The AAAE delegation was led by AAAE Chair Bill Barkhauer, A.A.E., and IAAE Chair Tim Campbell, A.A.E. and also included Bonnie Allin, A.A.E., of Tucson; Elaine Roberts, A.A.E., of Columbus; Jim Bennett, A.A.E., of Washington, D.C.; Kent George, A.A.E. of Pittsburgh; Mark Brewer, A.A.E., of Providence, and Hazel Johns, A.A.E., of

Upcoming Events

June 5-8, 2005...Dublin, Ireland. European/U.S. Airport Security Conference

Sept. 6-8, 2005...Bermuda. Caribbean/European/U.S. Air Service Development and Airport Marketing Workshop

Santa Barbara.

AAAE and IAAE would like to thank the following airports and companies for their financial support of the conference: Salzburg Airport W.A. Mozart; Austrian Airlines; Salt Lake City International Airport; Metropolitan Washington Airports Authority; Dubrovnik International Airport; Prague-Ruzyně Airport; Istanbul Ataturk Airport TAV; Zagreb International Airport; Budapest Ferihegy Airport; FKI Logistex; L-3 Security and Detection Systems; Hewlett-Packard EMEA; Airst; Daimler Chrysler Unimog; Reveal Imaging Technologies; InVision Technologies Inc.; Booz Allen Hamilton; Airport Business Solutions International; Sure Scan Corp.; Airport Consulting Vienna GMBH; HMSHost; Envimet Analytical Systems; Institute for Umwelttechnik Dr. Kuhnemann and Partner GmbH; Frequentis, and Cendant Car Rental Group.

Major Share In Brussels Airport To Be Sold

The Australian firm Macquarie will buy a 70 percent stake in Brussels International Airport for 735 million euros, the Belgian government said.

The government of Belgium, the airport's majority shareholder, will reduce its stake in the airport to 30 percent from 64 percent as a result.

The airport's minority shareholders will sell all of their shares in the airport operator, according to the announcement.

The transaction is the fourth in Europe for Macquarie, which already owns shares in airports serving Rome, Italy, and Birmingham and Bristol in the U.K.

Belgian Budget Minister Johan Vande Lanotte said Macquarie was selected due to the price, vision and

commitment it offered.

Brussels International has struggled to recover from the loss of business following the 2001 collapse of Sabena, the country's flagship airline.

Canada Vows To Reconsider Aviation Policies

The Canadian government said it is time to stop protecting national carrier Air Canada and indicated it will consider lifting foreign ownership restrictions on the country's airlines.

"For nearly a quarter of a century, the federal government's air policies have been built on protecting what we have, rather than building something better, protecting against loss of service, against the loss of our national flag carrier," Transport Minister Jean Lapierre told delegates at the Oct. 29 Canadian Airline Investment Conference in Toronto.

"The time for this approach is over. Now is the time to build an aggressive, forward-looking, market-driven framework that will help the industry compete regionally and globally," he said.

Lapierre noted that, over the past 18 months, Air Canada, its unions, and investors have made significant progress in restructuring the airline's operations and reducing the cost difference that separated it from the new low-cost carriers. "I'm very pleased that the airline has now emerged successfully from bankruptcy protection. The industry as a whole is also coming out of a very tough period. The question remains: how do we help it to be stronger than ever?" he stated.

Referring to recent discussions he has held with aviation industry officials, Lapierre said, "You told me how the fundamental structure of the air industry is changing - not just in Canada, but around the world. The traditional

industry model—closed domestic markets, strong national flag carriers, and bilateral agreements—is giving way to a new model. The Europeans are making us think about regional approaches to aviation. And around the world, the national flag carriers are losing ground to the low-cost competition. You told me it's time for Canada to face these realities.

“Overall, the message I heard loud and clear was that the industry is ready for change. You have been outspoken about how we can improve practices, programs and legislation. You are ready for enhanced competition. You want more independence, less government involvement.

“Let me be very clear on this: I believe we have a great opportunity now to create an air policy that will serve Canada well for the next 10 years. We can fine-tune our governance mechanisms. We can increase the air sector's value to the Canadian economy and to individual Canadians. We can take steps to treat the airline sector equitably. We can seek more equity and fairness in treating your industry the way government treats other industrial sectors. Equity and fairness in the way we regulate. Equity and fairness in the way we collect revenue.

“The current environment could not be more favorable. The Canadian economy is growing. Major airport authorities have invested in infrastructure and are looking for new opportunities. Air Canada has come out of bankruptcy protection with a revitalized business plan and balance sheet and is targeting international growth. The turnaround in Air Canada's fortunes owes much to the significant contributions of its employees, not to mention its management. At the same time, carriers in all parts of Canada—WestJet, CanJet, Jetsgo, and others—are creating a more competitive marketplace and providing passengers with more choice.

“One of the major issues I believe we need to address now is liberalization of our air policies. I believe the sector is well positioned to pursue new opportunities. Take liberalization, for example.

We have been seeing a worldwide trend in recent years toward making aviation markets more accessible, with decisions being left increasingly to market forces. Travelers, shippers and consumers benefit from the increased competition that results.

“This is an opportune time to re-examine the pros and cons of further liberalization on three fronts—domestic, trans-border and international air services.

“Looking first at domestic air services, these have been largely deregulated since 1988. Among the few remaining restrictions is a requirement for Canadian airlines to be Canadian owned and controlled. Is it time for us to relax the ownership restrictions? What about control? Is it time we allowed foreign carriers to provide services between points in Canada? If so, under what conditions?

“Air services between Canada and the United States are governed by the ‘open skies’ agreement signed between our two countries in 1995 and subsequently amended. But important restrictions remain.

“Is it time we considered negotiating with the U.S. on allowing transborder courier services to fly to two or more points in the other country? Or on extending transborder services to third countries and allowing airlines to compete fully on price in these markets? What about cabotage, that is, allowing U.S. carriers to fly Canadians between points in Canada, and vice-versa? Or should we try to go even further and integrate our air markets under a single set of rules?

“Canada's international air services are largely governed by more than 70 bilateral agreements with various countries. This is the area with the greatest number of limitations and the greatest scope for reform. When we are negotiating bilateral agreements, should we take a more aggressive approach to relax or remove restrictions on services between our countries? Should we extend that approach for transportation to third countries? And how do we balance all the Canadian interests affected by such changes?”

Air Canada Applauds Lapierre Announcement

Air Canada said it welcomed Transport Minister Jean Lapierre's announcement of the government's intention to consider liberalizing Canada's air policies.

“Air Canada has been the longest standing member of Canada's airline industry to advocate greater liberalization in air policy on a reciprocal basis,” the carrier said. “Air Canada believes that the federal government's past approach to air policy, which stressed protectionism, interventionism and regulation over free market principles, stifled Air Canada's and the industry's growth over the years. Air Canada applauds the minister's courage in moving away from these outdated policies and his openness to further liberalization on the transborder and international fronts on a reciprocal basis.

“Air Canada has also long advocated the increase of foreign ownership limits in Canada's airline sector and the elimination of non-safety related regulation of the industry.

“Air Canada is the only Canadian carrier to compete with U.S. and foreign carriers on a daily basis and has long

INTERNATIONAL AIRPORT REPORT

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welcomed further liberalization of Canada's air policy on a reciprocal basis.

"As part of Air Canada's business plan, the company aims to grow its international and transborder services and welcomes the Minister's liberalization initiatives which will assist in the implementation of its business plan."

Airbus To Establish Aerospace Institute In Korea

Airbus said it has reached agreement with the University of Southern California, Inha University and Hankuk Aviation University of Korea to establish an Aerospace Institute for Engineering Research in Korea.

Airbus will invest \$5 million in the new institute, which will be used to conduct research projects in the field of advanced aeronautical engineering and technology.

"With Korean Air being Airbus' oldest customer outside Europe and fuselage parts for the A330/A340 Family having been manufactured by Korean Air Aerospace for many years, Airbus is particularly pleased to extend its relationship with Korea into the area of engineering research," said John Leahy, chief commercial officer of Airbus. "Korea has an outstanding reputation in the field of advanced research and development and Airbus looks forward to applying the Institute's innovations into its advanced range of commercial airliners in the future."

Raytheon Contracts For GPS System In India

Raytheon has signed a contract with the Indian Space Research Organization (ISRO) Satellite Center for the ground-based elements of the GPS (Global Positioning System) and GEO (Geostationary Earth Orbit) Augmented Navigation (GAGAN) Technology Demonstration System (TDS). The contract, terms of which were not disclosed, was signed recently in Bangalore.

GAGAN-TDS, a cooperative effort between Raytheon and ISRO, will usher

in a new era in civil navigation through use of the space-based augmentation system, Raytheon said. When completed, GAGAN will augment the standard positioning signals from the GPS satellites with an additional signal to improve the accuracy, integrity, continuity, and availability of the aircraft receiver. The GAGAN project is part of a worldwide movement toward space-based navigation, which has been endorsed by the International Civil Aviation Organization.

The Airports Authority of India is collaborating with ISRO on the project and will be the agency to place the commissioned system into operation. Other modes of transportation, such as rail, maritime, and road traffic, will also be able to use the signal for a variety of applications.

Mexican Airports Operator Reports Gain In Traffic

Mexican airport operator Asur reported that passenger traffic for October rose 20.1 percent from a year earlier, aided by travelers using its Cancun and Cozumel facilities.

Asur, which operates nine airports in southern Mexico, said passenger traffic through the resort of Cancun rose 24.7 percent year on year, and use of its Cozumel terminal increased 45.2 percent.

The healthy gain in passenger traffic has been a year-long trend. In the first nine months of the year, Asur reported a 14.6 percent increase in traffic. Asur had originally forecast a 5 percent increase in passenger growth in 2004.

Fraport Posts Improved Results For First Three Quarters

The Fraport Group said it was able to improve profits in the first three quarters of 2004 by 10.5 percent to EUR117.2 million, compared with the same period last year.

In view of the positive growth in the first nine months, Fraport said it is revising its forecast for sales and

earnings in fiscal 2004 upward. Fraport now expects sales revenues to grow by at least 7.5 percent.

Fraport Executive Board Chairman Dr. Wilhelm Bender explained that, despite the good results so far, Fraport AG will face heavy challenges over the next few years because of growing cost pressures in the air transport industry. Examples of such challenges include the prices for ground handling services and concession fees at Frankfurt Airport, Bender said. Also, Fraport's ground-handling contract with Lufthansa will be expiring at the end of 2005, he noted.

Copenhagen Airport Posts Traffic Results For October

In October, the total number of passengers using Copenhagen Airport increased by 5.1 percent compared with the same month in 2003, the airport reported.

The number of scheduled international passengers increased by 5 percent, while the number of international charter passengers increased by 25.2 percent.

The total number of domestic passengers decreased by 4.8 percent in October compared with the same month in 2003.

In October the total number of takeoffs and landings increased by 2 percent while cargo tonnage increased by 6.3 percent compared with the same month in 2003.

NavCanada Reports August Traffic Increases

NavCanada announced its traffic figures for August 2004, as measured in charging units for enroute and terminal air navigation services, in comparison to the same month in the last fiscal year. The month of August represents the final month of NavCanada's 2004 fiscal year.

Traffic in August increased by an average of 6.1 percent compared to August 2003. Fiscal year 2004 traffic grew by an average of 4.6 percent compared to fiscal year 2003.

News From Around The World

UPS has launched 12 new flights to **China** with MD-11 service to Shanghai. The new flights will triple the current service from six to 18 flights a week and comes on the heels of UPS's 129 percent growth in China export volume in the third quarter. According to economic and industrial experts, China will become the world's second largest economy within 11 years and the largest by 2039.

CanJet, **Canada's** low-fare airline, announced it will replace four of its 737-200 aircraft with four modern 737-500 aircraft, bringing the airline's 737-500 fleet to nine. The new aircraft will be delivered beginning in November.

America West Airlines announced the expansion of its marketing agreement with Royal Jordanian. Effective Nov. 8, America West began placing its code on Royal Jordanian flights between **Amman**, Jordan, and **New York** Kennedy International, **Chicago**/O'Hare and Detroit. With this codeshare expansion, America West said it is the only U.S. carrier able to directly market nonstop service between the U.S. and Jordan.

Finnish airline Finnair said it will start direct flights from **Helsinki** to **Guangzhou** in September 2005, adding to its routes to China and Japan. Finnair said it would offer three flights a week to the southern Chinese city.

Air Berlin, Germany's second-biggest airline, has agreed to order 70 Airbus A320 aircraft, worth as much as \$4.5 billion, with Austrian partner airline Niki. The planes will be delivered starting in the autumn of 2005 through 2011. Ten of the 70 planes will go to Niki. The carriers also have options for 40 more of the planes.

Qatar Airways and Yemen's national airline, **Yemen Airways**, have signed a bilateral codeshare agreement.

Air Canada announced that it has reached an agreement to purchase 15 Embraer 175 aircraft configured to seat

73 passengers. The order also contemplates the potential for Air Canada to exercise options to acquire 15 additional Embraer aircraft. Deliveries are scheduled to commence in July 2005.

Air Canada's new parent company **Ace Aviation Holdings** cited restructuring costs for its loss in the third quarter, but said operating income and passenger revenue had improved.

Spanish airports accommodated 7.7 percent more flights in October and 9.3 percent more passengers than in the same month of 2003, airports authority AENA said.

Global airport services group **Swissport International** closed its baggage handling operations at **London's Heathrow Airport** in mid-November, resulting in the loss of up to 800 jobs.

British airport owner **TBI** said that its first-half pre-tax profits had increased following the expansion of low-cost airline traffic at London's Luton Airport.

Hong Kong Airport, which plans to go public in 2006, may need to raise airport charges in the next few years to achieve reasonable returns and to justify its valuation, according to published reports. The airport made a record US\$64.6 million profit in the year ended March 2003, but that figure represents a return on equity of less than 2 percent, the reports stated.

Royal Brunei Airlines in early November launched its first flights to Sydney, connecting the city with the Sultanate of Brunei and onward destinations in Borneo, Southeast Asia, the Middle East and Europe.

US Airways announced that it will begin nonstop daily seasonal service to **Venice, Italy**, and **Barcelona, Spain**. Additionally, US Airways will again offer seasonal service to Dublin, Glasgow and Shannon next summer.

FedEx Express, a subsidiary of FedEx Corp., continues to lead the air cargo industry, according to *Air Cargo World*. The trade magazine ranked FedEx Express number one in its recent "World's Top 50

Airport Magazine To Publish Seven Printed Issues In 2005

Airport Magazine, which has published six issues per year since its debut in January 1989, is adding a seventh printed issue in 2005. The issue will be produced especially for the AAAE Annual Conference and Exposition in Seattle, May 1-4, 2005.

Among the conference-specific content planned for the issue is the annual Buyers' Guide, a 40-plus page listing of companies participating in the annual event, as well as articles covering the latest developments at Seattle-Tacoma International Airport, the 2005 conference host, and other industrywide topics.

For *Airport Magazine* advertising information, contact Greg Mihelic, director of marketing, at (703) 824-0500, Ext. 136, or e-mail greg.mihelic@airportnet.org.

Cargo Airlines" list, highlighting the company's global leadership. For the second year in a row, the report found that FedEx Express achieved the largest single share of the global air cargo market (10.6 percent), based on scheduled freight ton-kilometers flown during 2003.

Lufthansa said it will offer its First Class passengers a new service at **Frankfurt Airport**, effective Dec. 1. The service begins in the newly built First Class terminal or in the new First Class lounges. Concierge services, limousine-transfer direct to the aircraft, gourmet catering and personal attention for guests from arrival at the airport right through to takeoff are the special features of the service. Further, Lufthansa said it will help its First Class passengers departing from Frankfurt with the usual procedures when arriving at the airport, from parking the car to check-in, security controls and customs.