

INTERNATIONAL AIRPORT REPORT

Volume 13 Number 12

December 2005

BAA To Acquire Control Of Budapest Airport

Standard & Poor's Ratings Services said that its long-term A plus corporate credit rating, its A and A plus senior unsecured debt ratings, and its short-term A minus one plus ratings on U.K.-based airport operator BAA PLC remain on CreditWatch with negative implications, where they were placed on Dec. 8, 2005, following the Hungarian government's announcement that BAA submitted the highest bid in the privatization of Budapest Airport.

Subsequently, on Dec. 18, it was announced that BAA had signed a definitive agreement with the Hungarian government to acquire control of Budapest Airport, with completion of the transaction expected by Dec. 25, 2005.

BAA has agreed to acquire 75 percent of Budapest Airport minus one share, a 75-year asset-management contract, and the associated moveable assets for a total cash consideration of \$2.217 billion.

"The ratings on BAA continue to be supported by the company's excellent

business risk profile and forecast adequate financial position," said Standard & Poor's credit analyst Maria Lemos. BAA benefits from its ownership and operation of a portfolio of key U.K. airports catering to a diverse mix of passengers, and supportive regulation and government policies, she said. In addition, the key strategic position of its main asset, London Heathrow, as a hub airport supports the company's competitive position, although future capacity constraints there may weaken it, Lemos said.

Ruling Affects Sydney Airport Domestic Service Fees

Sydney Airport Corporation Ltd. (SACL) expressed disappointment at the Australian Competition Tribunal's (ACT) recent ruling to overturn a government decision to maintain "light handed access regulation of domestic airside facilities."

According to SACL, the government's decision in January 2004 endorsed the recommendation by the National Competition Council (NCC) that regulatory intervention into the terms of access to Sydney Airport domestic airside facilities was not required.

"Importantly the Tribunal's decision refers only to domestic airside services," SACL said. "This represents \$49.2 million or less than 10 percent of Sydney Airport's revenues in fiscal year 2005."

U.K. To Extend Restrictions At Heathrow, Gatwick, Stansted

U.K. Transport Minister Karen Buck announced that aircraft movement limits and noise quotas for Heathrow, Gatwick and Stansted airports for the summer 2006 will remain the same as last summer.

The movement limits and noise

quotas will continue to apply during the night quota period, from 11.30 p.m. to 6 a.m., Buck said. The announcement follows the decision in June to continue the existing night restrictions until Oct. 29, 2006.

Buck said, "After careful consideration of the responses on this subject to the Stage 2 consultation on night flying restrictions, which we launched in June, we have concluded that the movements limits and noise quotas for the summer season 2006 should be the same as for the summer season 2005. The reasons for adopting this approach remain as set out in the consultation paper and were not disputed by those responding to the consultation. We are continuing to consider carefully the full responses on the other issues outlined in the recent consultation exercise and will make an announcement in due course on the night restrictions regime to apply from Oct. 29, 2006."

The Stage 2 consultation paper also asked for comments on a range of issues, including the length of the night quota period, the specific movements limits and noise quotas, proposals for environmental objectives and specific noise abatement objectives and possible noise insulation schemes or criteria in respect of night disturbance.

NavCanada Proposes Changes To Service Charges

NavCanada has released a proposal for a number of changes to its customer service charges, which the company described as better balancing "the charges between large and small aircraft, better reflecting the impact of new technology and better absorbing the financial impact of fluctuations in air traffic."

"Customers gave us valuable feedback during the consultation. While

Upcoming Events

2nd Annual International Airport Security Conference—London, U.K. (May 31–June 2, 2006)

U.S./Europe Airport Environmental Best Practices Symposium—Brussels, Belgium (June 28-30, 2006)

International Airport Technology Conference—Prague, Czech Republic (July 9-11, 2006)

12th Annual Central Europe/U.S. Airport Issues Conference—Dubrovnik, Croatia (Oct. 24-26, 2006)

International Airport Geographic Information Systems Workshop—Madrid, Spain (Nov. 15-17, 2006)

the structure of the company's customer service charges remains largely intact, some adjustments needed to be considered" said NavCanada CEO John Crichton.

Among the changes, NavCanada is proposing to increase the target balance in its Rate Stabilization Account from \$50 million to \$75 million. However, this increase of \$25 million will be achieved through positive variances in operating results rather than an increase in fees, the company said.

The proposals are now subject to the mandatory 60-day consultation period required by legislation. If approved by NavCanada's Board of Directors following the consultation, the changes would be phased in over time with the first changes taking effect March 1, 2006.

Construction Begins On New Cancun Terminal

Grupo Aeroportuario del Sureste (ASUR) said that it has begun construction of Terminal 3 and has initiated the necessary studies for the construction of the second runway at Cancun International Airport. These two projects represent a total investment in excess of \$150 million.

Features of the new terminal will include an advanced security system that screens all hold and cabin baggage, and complies with new international aviation security regulations; 84 check-in counters, and 11 boarding gates with boarding bridges, and another four for remote stands.

ASUR also said it has received the necessary land for the second runway in Cancun and will start the studies for the second runway. The \$50 million second runway at Cancun is expected to double current capacity for air-traffic movements.

Frankfurt Posts Record Traffic In November

Frankfurt Airport reported traffic records for passengers, air freight tonnage,

aircraft movements in November.

Last month, the number of passengers using the airport increased by 2.5 percent over November 2004. Air freight tonnage grew at rate of nine percent.

Aircraft movements rose by 1.3 percent to 39,728 takeoffs and landings in November 2005.

From January to November 2005 Frankfurt Airport served 48.5 million passengers, representing an increase of 2.2 per cent compared with the same period in 2004. During the first 11 months of the year, the airport's air freight tonnage jumped by 8 percent compared with 2004.

The Fraport Group's six airports accommodated a total of 5 million passengers in November, down 6.9 percent from the same period in 2004. The main reason for this drop was Antalya Airport in Turkey, where Fraport's passenger figures have declined since the opening of a second competing passenger terminal earlier this year.

Peru's Lima Airport recorded 452,277 passengers, 10.9 per cent more than in November 2004. Frankfurt-Hahn Airport, Fraport's low-cost facility in the Hunsrueck region of Germany, reported 13 percent growth in traffic. Saarbrücken Airport's traffic dropped by 5.4 percent, while Hanover Airport experienced a 6.3 percent gain in passengers.

Singapore Changi Introduces Internet-based Phone Service

The Civil Aviation Authority of Singapore (CAAS) announced that it has introduced Voice Over Internet Protocol (VOIP) phone service in the departure/transit lounges of both Terminals 1 and 2 at Singapore Changi Airport.

Currently, passengers use their mobile phones or public pay phones available in the departure/transit lounges of Changi Airport to make overseas calls via International Direct Dialing (IDD) services. The VOIP phones at Changi leverages on the Internet to transmit voice data to the

local telephone network of the call destination country, resulting in much cheaper rates for overseas calls, CAAS said.

China Southern To Add Terminal At Beijing

China Southern Airlines said it will spend more than \$134 million to upgrade its operations—including adding a new international terminal for its Airbus A380 and Boeing 787 Dreamliner aircraft—at Beijing Capital Airport. The carrier pointed to a "booming" air market in Beijing, as well as the added business expected from the 2008 Beijing Olympic Games.

Airbus To Expand Partnerships With China

The National Development & Reform Commission of China and Airbus have signed a Memorandum of Understanding about the cooperation between the Chinese civil aviation industry and the European manufacturer.

The MOU sets the frame for a further upgrade of the cooperation between

INTERNATIONAL AIRPORT REPORT

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INTERNATIONAL AIRPORT REPORT is published monthly by the International Association of Airport Executives, an affiliated company of the American Association of Airport Executives, the largest professional organization for airport executives in the world.

both parties, according to Airbus. It also describes the process to evaluate the fields of enhanced cooperation, including the possibility of establishing a final assembly line for single aisle aircraft in China.

Airbus' industrial cooperation with China dates back to 1985 when it signed a first agreement with Xi'an Aircraft Co. to produce and assemble access doors for Airbus A300/A310 wide-body aircraft in China. Today, five Chinese companies from AVIC I and AVIC II are involved in producing parts for Airbus aircraft: Chengdu Aircraft Corp., Shenyang Aircraft Corp., Xi'an Aircraft Co., Hong Yuan Aviation Forging & Casting, and HAFEI Aviation Industry Co. Ltd. In industrial cooperation with China, Airbus said it is committed to further increase procurement volumes to reach \$60 million annually by 2007, and \$120 million annually by 2010.

Mexicana Airline To Be Sold To Hotel Company

Mexican airline holding company Cintra said its shareholders have approved the sale of Mexicana airline to Grupo Posadas, a hotel company.

Mexicana will be sold to the Mexican hotel chain for \$165.5 million, plus the assumption of \$294 million in debt and leasing deals worth \$997 million.

Cintra rejected bids for Mexico's other main airline, Aeromexico, because they were too low, but the company said it will put Aeromexico back on the block in January.

Embraer Ratings Reflect Strength Of Small Jet Market

Moody's Investors Service assigned a Baa3 Global Local Currency Issuer Rating and an Indicative Foreign Currency Debt Rating of Baa3 to Empresa Brasileira de Aeronautica S.A. (Embraer). The outlook is stable.

The ratings assigned reflect the company's position in the global aerospace market as one of only a few providers of commercial aircraft in the

30- to 110-seat jet segments and cost effective intelligence, surveillance and reconnaissance aircraft, Moody's said. The ratings also incorporate the benefits of an expanding presence in the global market for commercial jets, including the strength of its Embraer/190 jet family of 70- to 110-seat commercial aircraft, its controlled financial exposure to its primary customer base for these aircraft, its expected continued moderate growth in the defense sector and the opportunities presented by the company's expansion of its product line in the business jet markets.

Acknowledged in the ratings are the company's volatile and, for the rating category, somewhat weak cash flow to debt financial metrics, the volatility of cash flow as a result of large swings in working capital usage and from, among other factors, demands by commercial airlines for financing, the highly cyclical demand for regional aircraft (expected to remain the largest of the company's business segments), the concentration of the market for commercial jets in the U.S., and the uncertainties and cost associated with the company's expansion of its business jet product lines, Moody's said.

Qantas To Acquire Boeing Plans For Fleet Renewal

Qantas Airways said it plans to acquire up to 115 Boeing 787 aircraft for its long-awaited fleet renewal.

"This fleet plan will give us a modern fleet offering maximum flexibility, lower seat mile costs and greater fuel efficiency," Qantas Chairman Margaret Jackson said in a statement.

Qantas' latest fleet investment plan is in addition to A\$18 billion it budgeted for fleet renewal between 2000-2010.

New Low-Fare Carrier Set To Begin In Mexico

GOL Linhas Aereas Inteligentes S.A., a Brazilian publicly held company engaged in low-cost low-fare passenger

air travel, announced it has reached definitive agreements related to the joint venture to create a low-cost airline headquartered in Mexico.

The joint venture is formalized by means of the incorporation of a Mexican-controlled holding company named Controladora Prosea S.A. de C.V., in which GOL will hold 25 percent of the voting capital stock and approximately 47.6 percent of the total capital stock, the remaining capital being subscribed by Mexican investors.

The holding company will own the capital stock of a newly-created airline operating company, which has already filed a concession request with the Mexican authorities. The procedures regarding the necessary concessions and administrative permits should be concluded in the near future, with the beginning of the new company's operations expected in mid-2006, according to a statement from the company.

The new company will, at first, operate in the Mexican domestic market, adopting the "low-cost, low-fare" business model of GOL in South America, the company said. GOL will render consulting services, in areas such as schedule planning, flight operations control, safety procedures, aircraft maintenance, revenue management and accounting, cargo administration and IT solutions.

Additionally, GOL will directly participate in the governance of the new holding company, appointing three members of the nine-member board of directors and participating in management committees where GOL's recognized expertise will enable the best application of GOL's business model. The selection process of the company's CEO and top executives has been initiated.

The initial capitalization of the holding company will be \$40 million, with approximately \$19 million to be invested by GOL. The operating company intends to independently acquire the aircraft it will operate and expects to announce its initial fleet composition within three months.

News From Around The World

NavCanada announced its traffic figures for October 2005, as measured in weighted charging units for enroute, terminal and oceanic air navigation services, in comparison with the same month in 2004. The traffic in October 2005 increased by an average of 3.7 per cent compared to the same month in 2004. Fiscal year-to-date traffic was 5.1 per cent higher than in fiscal year 2005. Weighted charging units represent a traffic measure that reflects the number of flights, aircraft size and distance flown in Canadian airspace.

Greater Toronto Airports Authority has completed construction and startup testing for the \$70 million, 117-megawatt cogeneration power plant at **Pearson International Airport**.

Qantas Airways announced it will increase the number of flights from New York to **Australia** from three to five per week beginning Feb. 27, 2006.

Philippine Airlines has placed a firm order with Airbus for nine A320s and taken options on a further five aircraft, as part of its long term fleet modernization program. In addition, the airline will be leasing two new A320s and two new A319s from GE Capital Aviation Services. Deliveries of the new fleet of A320 Family aircraft will commence during the second half of 2006 and run through until 2012.

American Airlines on Dec. 12 launched interline electronic ticketing with **Korean Air** and **Turkish Airlines**, bringing to 32 the number of domestic and international airlines providing electronic ticketing in cooperation with American. Customers can use a single electronic ticket when their itineraries include travel on American and Korean Air or American and Turkish Airlines.

Continental Airlines has launched daily nonstop flights between the airline's hub at George Bush Intercontinental Airport in Houston and **Buenos**

Aires, Argentina. The flight originates in New York/Newark with a stop in Houston before continuing to Buenos Aires. Continental is utilizing a 174-seat Boeing 767-200ER on the route.

Finnair announced it will acquire nine Airbus A350-900s to modernize and strengthen its long-range fleet. The first A350-900s will be delivered in 2011. The carrier also announced its intention to acquire three new A340-300Es, to allow for traffic growth and development of its Asian routes from the spring of 2007.

Alitalia has been fined by the Italian antitrust agency for alleged misleading advertising. The agency said the company advertised a roundtrip flight on its website but only showed the price of a one-way ticket.

Grupo Aeroportuario del Sureste, S.A. de C.V. said that total passenger traffic for the month of November 2005 decreased by 50.3 percent when compared to November 2004, reflecting the impact of Hurricane Wilma.

TAM, Brazil's largest airline, has signed with the International Finance Corporation (IFC), the private sector arm of the World Bank Group, a credit facility agreement for the amount of \$50 million to expand TAM's fleet and finance aircraft parts.

Trapeze Networks, the provider of the wireless LAN (WLAN) Mobility System, and pan-European network solutions and services provider, Telindus, have been selected by Manchester Airports Group (MAG) to implement a public and private WLAN solution at **Manchester Airport**. Trapeze Networks is providing wireless access for MAG's internal employees, including airport staff, tenants and service partners, while also providing wireless access to the public network for travelers and businesses within the airport complex.

The **Australian High Court** has let stand a lower court ruling that an Air Nauru Boeing 737-400 aircraft must be

surrendered to a trustee for the Export-Import Bank of the U.S. (Ex-Im Bank) in Melbourne. Air Nauru stopped making payments on the aircraft in 2002. The Ex-Im Bank issued a statement saying it appreciates the difficulties the ruling presents. "However, this action follows numerous unsuccessful attempts to negotiate a resolution and is now unavoidable in order to protect the interests of U.S. taxpayers," the bank said.

Aegean Airlines of Greece has placed a firm order for eight A320s, with options for an additional 12 A320 family aircraft. The new A320s will replace older aircraft in Aegean's fleet, and also be used for expansion on both domestic and international routes from the airline's main bases at Athens and Thessaloniki.

Rapiscan Systems, a division of OSI Systems, announced that its MVXR5000 (Multi-View X-Ray) inline hold baggage system has been approved for use by the **U.K. Department for Transport**. The designation allows Rapiscan Systems to begin selling the MVXR5000 systems in the U.K. and international aviation markets through the company's established global distribution channels.

Some 36,896 military and civil aircraft worth \$1.012 trillion are expected to be built throughout the world between 2005 and 2014, according to the **U.S.-based Teal Group**.

Germany's Deutsche Lufthansa received the go-ahead from the airline's supervisory board to buy 12 Bombardier CRJ-900 regional jets, Lufthansa said. The new 84-seat planes will replace 50-seat Bombardier CRJ-200s.

Air Canada announced it will launch nonstop flights between **Denver** and **Montreal**, effective June 16, 2006.