

# INTERNATIONAL AIRPORTREPORT

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## Senior-Level Chinese Aviation Officials Attend U.S. Summit

Forty senior-level officials from the Chinese aviation community, including Vice Minister Yang Guoqing of the General Administration of Civil Aviation of China (CAAC), joined 250 representatives of the U.S. government and American aviation companies at the Sept. 17-19 U.S.-China Aviation Summit in Washington, D.C., to focus attention on the modernization needs of China's aviation infrastructure.

The summit was sponsored by the U.S. Trade and Development Agency (USTDA) in cooperation with CAAC, the U.S. Department of Transportation/FAA, U.S. Department of Homeland Security/Transportation Security Administration, U.S. Department of Commerce, U.S.-China Aviation Cooperation Program, the American Association of Airport Executives and the International Association of Airport Executives.

China's current five-year plan, which runs through 2010, stresses the importance of implementing advanced technologies to produce a reliable air traffic control system. Other aviation priorities include expanding airport facilities, installing airport security and monitoring systems, establishing an information technology network to synchronize airport operations, and enforcing

airworthiness certification and regulatory systems.

USTDA Director Thelma Askey welcomed delegates, saying that her agency is focusing "significant attention" on China's aviation sector "because we recognize that each of our systems is growing. We are interested in exploring ways to help our aviation systems grow together in mutually beneficial ways. Working in cooperation with each other, we can achieve results that will shape the future and strengthen our respective systems."

Vice Minister Yang said China is determined to take a pro-active posture to help its aviation industry achieve sound growth. He noted that since 2000, USTDA has provided financial support to China's aviation industry and pointed to the formation of the U.S.-China Aviation Cooperation Program as an example. "This meeting is another testimony of our collaborative efforts," he said.

U.S. government keynote speakers during the summit included Sen. Ted Stevens (R-Alaska), chairman of the U.S. Senate Commerce, Science and Transportation Committee; Rep. John Mica (R-Fla.), chairman of the U.S. House aviation subcommittee; Rep. James Oberstar (D-Minn.), Ranking Democrat on the U.S. House Transportation and Infrastructure Committee, and Edmund "Kip" Hawley, assistant secretary for the Transportation Security Administration.

U.S. Federal Aviation Administration (FAA) Administrator Marion Blakey addressed delegates on Sept. 18, and described U.S. aviation infrastructure modernization plans, which center around the Next Generation Air Transportation System, or NextGen, which is a comprehensive plan for the nation's entire aviation system. This will involve integration of air traffic management with other factors such as airports, advanced flight systems, security and the environ-

ment and is expected to create an airspace system that can accommodate three times the current amount of air traffic.

Blakey also emphasized the importance of global coordination on air traffic issues, saying, "Harmonization and interoperability are key to the future integrity of our global aviation system." She announced that Vice Minister Yang has made a personal commitment to serve as the co-chairman in the joint FAA/CAAC working group on NextGen.

Russell Chew, chief operating officer of FAA's Air Traffic Organization, told delegates that U.S. ATC achievements that will be important to China's future include Area Navigation, or R-NAV, which reduces dependence on the exact location of ground-based navigation facilities. Airlines operating at Hartsfield-Jackson Atlanta International Airport alone will save an annual \$39 million in operational benefits from R-NAV procedures, he said. China is using Atlanta's experience as a model for developing R-NAV at Beijing's Capital Airport, he said. "We believe that implementation of R-NAV in China will simplify clearances, reduce frequency congestion, enhance safety and increase capacity in anticipation of the 2008 Summer Olympic Games," he stated.

During the summit, USTDA announced the award of a \$560,000 training grant to China Eastern Airlines in support of General Electric Aviation's bid to supply 34 new generation aircraft engines to the airline. In addition to the USTDA grant, GE will contribute resources toward the training costs.

Following the summit, members of the Chinese delegation broke into small groups for site visits to FAA's Command Center and Potomac TRACON in Virginia, Boston Logan International Airport, Bush Houston Intercontinental Airport, Los Angeles International

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## Upcoming Events

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

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

Airport and aircraft manufacturers in Wichita, Kan. The site visits allowed the Chinese officials to view state-of-the-art U.S. developments in avionics, aircraft designs, air traffic management systems and other aviation-related technology.

Other sponsors of the summit were American Airlines, Aviation Industry Solutions, Baltimore-Washington International Airport, The Boeing Co., Computer Sciences Corp., Continental Airlines, Delta Air Lines, FedEx Express, GE Aviation, General Aviation Manufacturers Association, Honeywell International, Houston Airport System/City of Houston, Joint Planning and Development Office, Kansas World Trade Center, L-3 Communications Security and Detection Systems, Los Angeles World Airports, Massachusetts Port Authority, Metropolitan Washington Airports Authority, the MITRE Corp., National Business Aviation Association, Northwest Airlines, Oshkosh Truck Corp., Rockwell Collins, Textron China Inc., Transtech Airport Solutions, United Airlines, United Parcel Service, United Technologies Corp., Uniworld, and Wichita Airport Authority.

**Companies Buy Parent Of London City Airport**

AIG Financial Products Corp. (AIG-FP), a wholly owned subsidiary of American International Group Inc., and Global Infrastructure Partners (GIP), the infrastructure joint venture between Credit Suisse and GE Infrastructure, announced that they have signed a definitive agreement to acquire 100 percent of the share capital of the company that owns and operates London City Airport.

AIG-FP and GIP will each own 50 percent of the equity interest of the company that owns the airport.

The airport is located in the Royal Docks, in the London Borough of Newham in East London, and predominantly serves business travelers to and from London. It offers access to 27 destinations within the U.K. and across Europe. It also ranks as the third largest corporate aviation facility in the U.K.

The transaction remains subject to European Union merger clearance and currently is expected to close in November 2006.

**Court Rules On Sydney Airport Domestic Airside Service**

Sydney Airport stated that the decision by a federal court to uphold the decision of the Australian Competition Tribunal (ACT) to declare the domestic airside service at Sydney Airport under Part 111A of the Trade Practices Act (TPA) “does not alter the current situation.”

Airport CEO Russell Balding said the decision “means that the domestic airside service remains declared for the purposes of Part 111A of the TPA, but does not impose any new or additional obligations on Sydney Airport.” The airport will review the decision and consider its options, Balding said.

The decision by the ACT to declare the domestic airside service requires Sydney Airport to negotiate with airlines and others on terms of access, according to Balding. If Sydney Airport and airlines cannot agree on the terms of access, either party can refer the matter for arbitration.

Sydney Airport already has commercial agreements in place with its airline customers, and is actively engaged in discussions in relation to new enhanced commercial agreements, Balding said. He added that, “Sydney Airport believes that it would be in the interests of all parties if negotiations were to continue on a commercial basis.”

**Canadian Airports Council Presents Competitiveness Plan**

The Canadian Airports Council (CAC) has presented a five-point plan for airport competitiveness to the Standing Committee on Finance during its pre-budget consultations.

“This five-point plan will go a long way to position Canada’s airports as leaders amongst their competitors for air links,” said Jim Facette, CAC president and CEO.

The plan calls for the elimination of airport rent; more money for customs services at airports; change in laws and regulation to permit arrivals duty-free sales at Canadian airports; an increase in the Airports Capital Assistance Program funding levels, and improved international air service agreements.

“Canada’s airports are economic engines for their communities, creating well in excess of \$30 billion in economic activity,” Facette told the committee. “Canada is unique in the developed world for charging airports rent, creating a dramatic competitive disadvantage for Canada’s airports—a burden of some \$300 million a year. Put quite simply, airport rent is tax, a tax that stifles Canada’s economic competitiveness. It should be eliminated.”

Since control of Canada’s airports was shifted from the federal government to local authorities, Canada’s airports have been responsible for funding their own capital programs. Failing elimination of the rent tax, the CAC is seeking an interim measure that would revise the formula for calculating rent by eliminating a penalty currently in place for airports that have raised money on the capital market to pay for capital programs.

“A strain on the resources available

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from CBSA means ever-increasing lines at Canada's larger airports," said Facette. "Many small communities are required to pay for Customs services, a measure that essentially punishes them for securing the vital economic trade links provided by new international air service."

Meanwhile, Facette told the committee that for Canada's smaller airports, the concern is the need for more funds for the Airports Capital Assistance Program. Small airports require adequate and predictable federal funding to cover the costs associated with essential airside safety-related capital programs, such as lighting, visual aids, and snow removal equipment, he said.

The CAC also called for changes to laws and regulation to permit arrival duty-free sales at Canadian airports. Canadian are only permitted to purchase duty-free goods when leave Canada, not when they return. The CAC further urged the Finance Committee to support more liberalized international air policy from the federal government to enable foreign and Canadian carriers to increase international flights and introduce new service.

### **Singapore Air Orders 787-9 Aircraft For Route Expansion**

The Boeing Co. announced that Singapore Airlines has ordered 20 Boeing 787-9 Dreamliners, with purchase rights for 20 additional airplanes.

The new aircraft will be delivered from 2011 through 2013, providing growth, as well as fleet renewal. The carrier said it will use the new airplanes on routes to North Asia, the Indian subcontinent and the Middle East.

### **U.S., EU Reach Deal On Data Transfer**

U.S. and European Union officials announced they have reached agreement regarding the transfer of airline Passenger Name Record (PNR) data.

DHS Secretary Michael Chertoff said the agreement will allow the U.S. "to make full use of passenger data as

needed to protect our borders."

Chertoff said the agreement will give U.S. Customs and Border Protection "new flexibility to share PNR data with other counter-terrorism agencies within the U.S. government." The agreement also will allow DHS to receive PNR data earlier than agreed upon "when there is an indication that early access could assist in responding to a specific threat to flights bound for the United States," he said.

The EU said that terms of the PNR data transfer will protect passengers' privacy rights.

### **Delta Air Lines To Continue International Expansion In 2007**

Delta Air Lines said that in 2007 it will continue to diversify its global network with added service to high-demand destinations across Asia, the Middle East, Europe and Latin America.

The carrier's new and expanded nonstop routes from Hartsfield-Jackson Atlanta International Airport will begin as follows: Atlanta-Prague, Czech Republic (effective May 2, 2007); Atlanta-Vienna, Austria (effective May 21, 2007); Atlanta-Dubai, United Arab Emirates (effective May 31, 2007); Atlanta-Seoul Incheon, South Korea (effective June 4, 2007), and Atlanta-Sao Paulo, Brazil (expanded to twice daily, effective June 15-Aug. 15, 2007).

Additionally, Delta will expand its New York Kennedy International operations with added service to London Gatwick; Florence, Italy; Shannon/Dublin, Ireland, and Bucharest, Romania.

### **Additional Delay Set For A380 Delivery**

Airbus announced a further delay in the delivery schedule of the superjumbo A380, pointing to assembly problems.

According to the latest delivery plan, the first A380 will be delivered in October 2007, two years late. Thirteen more will be delivered in 2008 and 25 in 2009. The industrial ramp-up will be completed in

2010, when 45 A380s will be delivered, Airbus said.

The manufacturer said it is in close contact with its customers "and is doing its utmost to find ways and means to alleviate the burden this represents for them."

In addition, to counter the financial impact of the delay, as well as the weakening dollar, Airbus said it is launching the Power8 program, which is designed to "reduce costs, save cash and develop new products faster." The company said aircraft development cycle times are to be reduced by two years while the overall productivity is to be increased by 20 percent.

"The program aims at annual cost savings of at least EUR 2 billion from 2010 onwards and delivering some EUR 5 billion in cumulative cash savings by 2010," Airbus said.

### **Fraport Group Airports Demonstrate Traffic Growth**

Frankfurt Airport again achieved new record figures in September with 4.9 million passengers using the airport, an increase of 0.6 percent over the same month in 2005.

In addition, cargo volume rose by 9 percent to 176,489 metric tons during the month and air mail increased by 1 percent to 7,797 metric tons.

Together, the airports of the Fraport Group served 56 million passengers in the first nine months of this year, an increase of 1.5 percent. Cargo traffic grew for all of the group's airports, climbing by 11 percent to 1.9 million during the same period.

Lima Airport registered 511,925 passengers in September, an increase of 7.1 percent. Antalya Airport's Terminal 1 in Turkey experienced traffic growth of 52.1 percent to 775,989 passengers. Hanover Airport served 601,212 passenger, up 0.6 percent, and Saarbrücken Airport handled 52,934 passengers, a decrease of 12.6 percent. Frankfurt-Hahn Airport recorded 338,905 passengers in September, an increase of 19.2 percent.

# News From Around The World

**Southern Cross Airports Corporation Holdings** announced a 7.9 percent increase in earnings for Sydney Airport for the three months ended Sept. 30.

Air Canada announced that it will launch nonstop service between **Montreal** and **Rome** to meet peak seasonal travel demand. The flights will operate from June 1, 2007, until Sept. 30, 2007.

German construction group Hochtief is leading a consortium that has signed a memorandum of understanding to acquire BAA's stake in **Budapest Airport**, according to published reports. BAA, recently bought by Spain's Ferrovial, owns 75 percent minus one share in the airport, which it purchased for around 1.9 billion euros (\$2.4 billion) in December last year, the reports noted. Hochtief said the other consortium members are Caisse de Depot et Placement du Quebec from Montreal and Germany's state-owned bank KfW.

Northwest Airlines announced it will offer the first nonstop service between **Hartford, Connecticut**, and **Amsterdam, the Netherlands**, beginning July 1, 2007.

**Sydney Airport** has been named in the Top 10 International Airports in the 2006 Annual Business Travel Awards conducted by the international travel magazine Condé Nast. The awards are based on the responses and ratings provided by their readers who are predominately frequent business and leisure travelers.

**LAN Airlines S.A.** and its related companies reported that system passenger traffic for September increased 15.4 percent as capacity rose 16.5 percent. International passenger traffic accounted for approximately 89 percent of total passenger traffic. Long-haul capacity grew due to an increase in operations to the South Pacific, Europe and to a lesser extent to the United States. This was partially offset by a

reduction in operations to the Caribbean. Short-haul capacity grew mainly as a result of an expansion in regional operations and in the Argentine and Peruvian domestic markets.

**Canada's Fort McMurray Airport** has completed an expanded apron project. Canada's federal government contributed \$2 million under the Airports Capital Assistance Program to this project. The work involved the expansion of the apron, the construction of an asphalt shoulder, associated drainage and electrical work and the replacement of airfield signage.

HMSHost Corp. announced the completion of the acquisition of **Cara Operations Air Terminal Restaurant Division** under a C\$62 million agreement announced earlier this year. The purchase of Cara's Airport Terminal Restaurant Division (ATR), a leading provider of travel concessions in North America, has passed all Canadian regulatory requirements. Under the terms of the agreement, HMSHost (through its wholly-owned subsidiary, Host International of Canada) acquired the ATR contracts at nine airports: Calgary, Edmonton, Kamloops, Montreal, Ottawa, Saskatoon, Toronto, Vancouver and Winnipeg.

**British Airways** launched a competition to replace its fleet of 114 long-haul Boeing aircraft, a move that could generate orders for Airbus. BA, which wants to take delivery of the first new planes by early 2009, said it is too early to say how many planes it would acquire, although published reports said the transaction would be worth at least \$7 billion.

Icelandair will begin service to Bergen, Norway, with three flights a week and to Gothenburg, Sweden, with two flights a week and offer four flights a week from Halifax, Canada, starting spring 2007. Icelandair will also increase the number of flights to Paris, Frankfurt, Amsterdam and Helsinki and include new afternoon flights from Boston and New York's Kennedy

International.

**Indian Airlines** took delivery this month of its first directly purchased A319 aircraft. The aircraft is one of 43 A320 Family aircraft ordered in January 2006. The order for 43 A320 family aircraft consists of 20 A319s, four A320s and 19 A321s. The airline will receive six aircraft in 2007, followed by more than 10 in 2008 with all aircraft delivered by 2010.

Air Canada is expanding its Flight Pass offerings to its first international destination with the launch of the London Pass, which consists of six prepaid, one-way trips between all destinations across **Canada** and **London Heathrow**.

**Lufthansa** has signed a contract for 35 new aircraft from Airbus, confirming an earlier announcement by the airline in September. The order is for five A319s, 10 A320s and 15 A321s, as well as five long-range A330s. In addition, the agreement also includes options for a further 30 A320 family aircraft.

Mexicana de Aviacion announced a new seasonal service between **Denver** and **Zacatecas**, beginning Dec. 1, 2006, through Jan. 31, 2007.

**Icelandair** said it will increase its flight schedule by 17 percent in 2007. The carrier will add flights and capacity from three of its current North American gateway cities, a new Canadian gateway, and two new Scandinavian destinations.

**China Southern Airlines** and its subsidiary **Xiamen Airlines** have signed agreements to buy a total of 12 Boeing planes. China Southern agreed to buy six B777 freighters, while Xiamen agreed to buy six B737-800 passenger jets, the parent company said in a statement. Xiamen had been seeking to replace an order for three B787 jets with six smaller 737s in order to focus on regional routes.