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Newsletter

We are delighted to present our latest Newsletter with general news and details of some of our recent projects.

Direct UK Flights to Cape Verde

Cape Verde, once the domain of only German and Italian Tour Operators, has at last opened up to the UK market with weekly direct services from London Gatwick and Manchester. Astraeus launched their programme in November 2006 with passengers now able to fly to the large airport at Sal. Tourists can take an array of small connecting flights to neighbouring islands with local carrier TACV using modern ATR42 aircraft.



Weekly Astraeus flights from London Gatwick and Manchester

There is further excitement for the small island community with its proud tradition in international aviation. The airport on the idyllic island of Boa Vista has been extended to accept long haul aircraft. Astraeus will be one of the first carriers to serve the new destination in July.

Property prices are rising rapidly as bargain hunters race to grab a piece of their "island paradise" in the sun.

Extra 6.7 million Pax at UK Airports in 2006

Airport	Passengers	Growth
DONCASTER SHEFFLD	899,307	49.72%
BLACKPOOL	552,641	46.66%
NORWICH	745,192	36.67%
LONDON CITY	2,358,159	18.12%
BOURNEMOUTH	960,773	15.88%
EXETER	970,614	15.32%
INVERNESS	670,894	13.95%
CARDIFF WALES	1,993,097	12.94%
NM EAST MIDLANDS	4,720,819	12.89%
LIVERPOOL	4,962,460	12.55%
HUMBERSIDE	515,889	12.34%
ABERDEEN	3,162,624	10.90%
BRISTOL	5,710,222	9.83%
STANSTED	23,680,352	7.68%
LEEDS BRADFORD	2,787,217	6.84%
NEWCASTLE	5,407,362	4.24%
GATWICK	34,080,345	4.24%
SOUTHAMPTON	1,912,702	4.23%
LUTON	9,414,829	3.07%
EDINBURGH	8,606,651	1.87%
NEWQUAY	343,143	1.83%
GLASGOW	8,820,462	0.51%
MANCHESTER	22,123,762	0.18%
PRESTWICK	2,394,928	-0.40%
HEATHROW	67,339,227	-0.51%
BIRMINGHAM	9,056,004	-2.74%

Passenger traffic in 2006 saw some impressive increases at UK airports. The fastest growing airport was the new airport at Doncaster-Sheffield with nearly 50% increase, followed by Blackpool (46.66%).

Of particular note is Norwich which has yet again put in excellent traffic growth. In 2006 an increase of 36.67% was achieved mainly due to an invigorated FlyBe schedule which now has services to 13 destinations from the airport.

Growth laggards include Birmingham, London Heathrow and Glasgow Prestwick which all showed a decline in traffic. (Source UKCAAERG)

Inside this issue:

- Airport investment continues to attract significant interest 2
- European Union Emissions Trading Scheme 2
- Oman boasts Major Airport Expansion 2
- New airport for Lisbon slowly gathers momentum 3
- Mumbai announces new Duty Free Contract 3
- Cornwall Aerospace and Defence Initiative 3
- Have you ever wished you were better informed? 4

Special points of interest:

- High multipliers for airport investment
- Aéroports de Paris International take Oman project management
- Aldeasa scores again
- ICAO and Emissions Trading

Airport Investment Continues to Attract Significant Interest

Recent airports comparable transactions				
Year	Target	% Acquired	100% EV (m)	Ebitda Multiple
2004	Bruxelles	70%	€1,635	15.9x
2005	TBI (Luton)	100%	£1,264	15.7x
2005	Copenhagen	100%	DK2,614	14.6x
2005	Budapest	75%	€11,795	29.3x
2005	Bratislava	70%	€780	36.3x*
2006	BAA	100%	£15,380	15.1x
2006	London City	100%	£750	28.5x
2006	Exeter	100%	£60	27.6x
Average				24.1x
Source: market data				

Airports continue to attract significant interest from investment groups. They are arguably getting dearer too. Looking closely at multiples of sale price to EBITDA (Earnings before Interest, Tax and Depreciation), the sale of Bratislava appears the most expensive deal of the last few years. (The deal itself is currently stalled as the Slovak Government reviews its options on the transaction.)

Budapest, which previously had been sold to BAA/Ferrovial, is now under the ownership of Hochtief AirPort GmbH. This sale appears as the next most expensive deal with a multiple of 29.3. Multiples in 2006 at London City (28.5x) and Exeter (27.6x) were almost as high but well ahead of airports sold in 2004 (Brussels 15.9x) and 2005 (TBI Luton 15.7x and Copenhagen 14.6x).

If EBITDA multiple was the only measure of price, Ferrovial's acquisition of BAA plc looks a "snip" at 15.1x. However the scale of the investment £15,380m dwarfs all other deals and the challenge associated with such a gigantic deal must have presented its own set of risks.

European Union Emissions Trading Scheme

The European Commission has proposed legislation to include commercial aviation in its carbon trading scheme. Under such regulations airlines flying out of the EU would have to "buy" spare emissions rights from those who have been granted government licenses to discharge greenhouse gases and are not using their full quota. The EU has set up several policies to combat climate change and deliver on its Kyoto target of 8% CO₂ reductions by 2012.

The European carriers are mainly concerned because the scheme is not a global solution and would put them at an extreme commercial disadvantage over non-European operators. Carriers such as Emirates for example would enjoy a cost advantage over their European counterparts for the portion of the journey between their hub (in Dubai) and any beyond destination such as Hong Kong or Sydney.

A well-designed emissions trading scheme could be an environmentally beneficial solution but perhaps a wider international approach is needed preferably through the International Civil Aviation Organisation (ICAO) rather than Europe alone. It is clear however that some regions may have to take a more urgent lead in developing measures to address climate change.



The pressing environmental agenda for the whole of the airline industry

Oman boasts Major Airport Expansion



A New Oman Air 737-800 on approach to Muscat

The Sultanate of Oman will see a new era of airport expansion as the airport at Muscat makes progress on a major new development project. The plan will include a second runway and new mid-field terminal building designed to deal with additional traffic and high numbers of transfer passengers.

This comes in the wake of the important announcement by Gulf Air to make the airport, along with Bahrain, an integral part of its new two hub strategy. Its importance was further reinforced by the Government of Oman's recent announcement to take greater equity share of Oman Air, to continue the fleet renewal and support plans to buy wide-body aircraft.

French engineering specialist Aéroports de Paris (ADPi) has been awarded the prestigious project management assignment for the new airport development.

New Airport for Lisbon Slowly Gathers Momentum

The long awaited plan to progress the new airport development for Lisbon looks slowly to be moving forward. The scheme, first mooted at least 12 years ago, is now seeking investment partners and has invited tenders for a detailed Masterplan.

The site at Ota, 50km north of Lisbon, has been formally identified as the preferred site and NAER Novo Aeroporto SA, the entity responsible for the overall project, now expects the new airport to open in 2017.

Meanwhile the existing airport at Portela is to undergo significant construction and refurbishment work over the next three years as part of an intermediate expansion plan. Current annual throughput of the airport in 2006 was around 12 million passengers.

The work, announced in November 2006 will increase the available capacity of the airport to 16 million, providing enough facilities until the new airport comes on stream. The overall cost of this interim scheme is around €380m.



The beautiful city of Lisbon looks finally set for a new airport at Ota but only in 2017.

Once work has been finished, the Airport will have 21 additional departure gates bringing its total to 47; 30 of which to Schengen countries and 20 with direct access walkways. The airport's cargo capacity will increase from 80,000 tons per year to 150,000 tons per year.

Mumbai announces new Duty Free Contract



New Duty Free Concession for Mumbai

A joint venture bid of around \$100m from the Indian Tourism Development Corporation ITDC/Aldeasa joint venture has won the three-year Mumbai (Bombay) International Airport (MIAL) duty free contract.

ITDC is an autonomous public sector corporation providing tourism services including accommodation, catering, travel-related services and duty free shops within India. Joining forces with the Spanish airport concession group Aldeasa the combined bid represented a strongly successful blend in the rapidly growing Indian airport market.

MIAL itself is a 74:26 per cent joint venture company between GVK-SA consortium and the Airports Authority of India. The consortium comprises GVK, Airports Company South Africa Limited and Bidvest Group Limited.

Cornwall Aerospace and Defence Initiative Launch

A major event was held in Falmouth in December 2006 marking the formal launch of Cornwall Aerospace and Defence Initiative (CADI). The event heralds the start of a new era for the local business community in the far South West of the UK. Major strategic changes in the way that Defence and Aerospace budgets are procured forces regions to adopt more cooperative practices in order to win slices of this work.

Importantly, the changing nature of the activity at forward defence bases such as Royal Naval Air Station Culdrose, at Helston in Cornwall, opens up specific opportunities to local industry. The Station, which remains one of the Navy's key facilities, relies no longer on a closed "fenced off" support regime. In fact it is now home to the major defence companies such as Lockheed Martin, Finmeccanica (Westland) and Serco as well as all their corresponding supply chains.

Understanding this global industry and learning to seek opportunities in a complex operating environment presents major challenges for small companies operating in a relatively remote area of the UK. Working together through CADI however enables them not only to



'a strategic partnership linking industry, local community, university, aerospace and defence sector interests'

raise awareness of their capability but importantly to gain strategic critical mass in dealing with global industrial players.

Feather Consulting is proud to be associated with this venture. Working with Cornwall Enterprise and the South West Regional Development Agency we have created an innovative solution and another important building block to allow sustainable local economic regeneration.

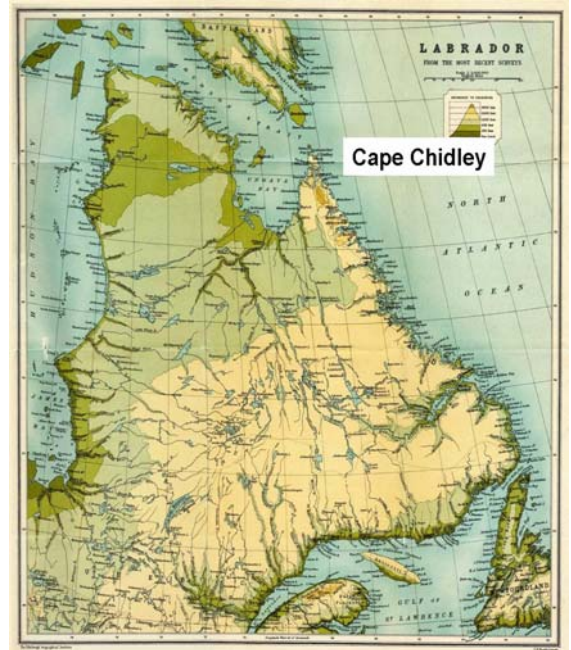
Have you ever wished you were better informed?

In the course of a recent project in Canada we came across these interesting news items courtesy of an “evergreen” web encyclopaedia.

Atlantic Canada played more than a strategic role in both the Second World War and the Cold War.

In the early 1940s a German U-boat crew installed an automated weather station on the northern tip of Labrador near Cape Chidley, nicknamed Weather Station Kurt. This enabled it to learn important weather information ahead of the convoys gathering in the St Lawrence. The station only broadcast weather observations to the German navy for a few days. It was not discovered however until the 1980s when a historian, working with the Canadian Coast Guard, identified its location!

On November 10, 1950 a USAF B-50 bomber was forced to jettison and detonate three unarmed nuclear bombs over the St. Lawrence River near St-Andre-de-Kamouraska, Quebec. As the plutonium cores of the bombs had been removed, the onboard bombs contained only the high explosive implosion cores, and were thus considered "unarmed". Encountering engine trouble, and with contemporary doctrine requiring that aircraft be lightened by dropping ordnance, the flight crew released the bombs. The weapons detonated at 2,500 feet over the river — apparently causing no damage. The episode was not disclosed by the Canadian government until 2000!



An Ancient Map of Atlantic Canada

Feather Consulting is an independent research group providing advice to airports, airlines, financial institutions, governmental organisations and other clients throughout the world. Our flexible approach allows us to deliver a bespoke service generating balanced and informed solutions.

A range of research methodologies and comprehensive modelling techniques coupled with in-depth industry knowledge permits us to deliver discrete commercial advantage for our clients.

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