



November 2005

Newsletter

We are delighted to present our latest Newsletter.

EU-US North Atlantic New Deal Ahead?

Negotiations will resume in Washington on November 14th to discuss the complex issue of EU-US "Open Skies". Under the current bilateral relationships, every US carrier can serve -- with the main exception of London Heathrow -- every point in Europe from any point in the US. Carriers in Europe, however, can only serve US cities from their country of nationality. In other words, at the present time, no EU carrier has the ability under the current bilateral agreements to do what every US carrier can do: connect any point in the US to any point in Europe for any purpose -- combination or cargo.

Recognition of the airlines of Europe as "EU" carriers -- able to fly to the US from any gateway within the EU -- would eliminate, at a single stroke, the entire morass of



Due to bilateral agreements between the UK and US, only two US airlines are allowed to serve Heathrow

nationality-based restrictions that limit the scope of every EU airline's operations. It would bring Open Skies opportunities in the US to every EU airline not already benefiting from an Open Skies regime.

Negotiators are hoping to reach an agreement by December 31 paving the way for a radical shake up in international air transport.

This may mean we could have a Low Cost feast on the North Atlantic perhaps begging the question "Will Ryanair go Long Haul?"

Record Tourism Numbers Worldwide

According to the preliminary data gathered by the World Tourism Organisation (WTO) an estimated 460 million international tourist arrivals were recorded worldwide in the first seven months of 2005. This represents an increase of some 25 million arrivals compared with the same period of 2004, or a 5.9% growth.

The year-to-date increase is very much in line with the WTO's initial forecasts for the full 12 months of 2005. The year as a whole



The Chinese Dragon is on the move

ism. The surge in China's outbound travel, from 29 million departures last year, will be driven principally by reduced regulatory barriers to travel. Coupled with this are a mix of rising incomes, changing demographics, high savings rates, and the prospect of a stronger currency.

is expected to end with a growth of 5 to 6%. This means that international tourism is not only on track to consolidate the bumper year it had in 2004 (+10.7%), but will also exceed the forecast long term average growth of 4%.

China is expected to send over 30 million people abroad this year. Conservative estimates forecast that there will be over 115 million Chinese travellers abroad by 2020 making China the world's biggest source of outbound tour-

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Air Day Success for CADI

The Cornwall Aerospace and Defence Initiative CADI put on an impressive display at the Air Day at RNAS Culdrose in July. CADI aims to bring together all companies involved in aerospace and defence industries in Cornwall and to promote their services worldwide.

The CADI marquee was well attended with stands from Lockheed Martin, West of England Aerospace Forum and the Combined Universities of Cornwall (CUC). The Navy had an interesting cut-away of a helicopter engine on display allowing a close examination of the main component parts.

The real success of the day was the interest roused among students and young people. Visitors from local schools were particularly keen on the “green” carbon neutral fuel that was demonstrated by the CUC and used to power a model jet engine.



Key Members of the CADI team in front of the Display at Air Day

New Cape Verde Airport Opens at Praia

The New Praia International Airport on the Island of Santiago in Cape Verde which has been in planning for many years was officially opened at last on 23rd October 2005 with the arrival of the first international air service from Lisbon operated by the national airline TACV. The runway at the new airport is 2105 metres long providing a significantly improved operational capability on the 1298 metres previously available at the old airport.

TACV, which has for many years operated international services from the smaller island of Sal, will immediately start direct services from the capital Praia to Lisbon, Paris and Fortaleza in Brazil using a Boeing 757-200 aircraft.

Arguably the outlook for Cape Verde is better than at any time in its recent past. The economic growth in its major trading partners, growth in tourism and inward property investment is allowing the community take on a new and ambitious development strategy.

On the idyllic island of Boa Vista, famous for green-back turtles, a new airport is under construction. Major runway and terminal improvements are also taking place at Mindelo on San Vicente. The town situated on one of the finest natural harbours in the world was once a coal-



The opening of the new airport at Praia will create new ways for travellers to reach the beautiful Islands of Cape Verde

ing station for steam ships en-route to South America, Southern Africa and the Far East. Now Cruise liners regularly make calls at the port.

Small Airports Continue to Feel the Pinch

There is something about small airports that force them to make challenging decisions. The recent urgent appeal by the Dundee City Council to the Scottish Executive for assistance to stem annual losses, expected to hit almost £2 million as early as 2007-8, highlights a common problem facing small airports.



Scot Airways provides a key lifeline from Dundee to London City

Attempting to maintain an airport for the benefit of businesses and their local community whilst traffic volumes are low is costly. Even inviting a Low Cost Carrier in to bolster traffic alone does not always solve the issue as Newquay Airport in Cornwall discovered recently. They have been forced to increase their passenger tariff to pay for the cost of operations and were on the receiving end of some sharp comments from Ryanair. These charges run the risk of turning the passengers away.

There's no doubt airports need to reach a critical mass only above which is it possible to cover costs. The challenge is how can this be achieved without an excessive charge on the local community or on travellers. A new balance needs to be struck that encourages carriers to serve smaller often remote destinations in a more cost effective way— one that creates jobs and that can help sustain vulnerable economies.

Major Dubai Development

Dubai is investing a total of USD 36 billion in aviation infrastructure and expanded airline capacity. In total some USD 4.1 billion is being invested in Dubai International Airport and Dubai-based carrier Emirates has aircraft orders in excess of USD 22.2 billion.

More than USD 8.3 billion is expected to be invested in the development of an entirely new airport at Jebel Ali Airport City. This will have a capacity to handle 120 million passengers annually when completed.

Dubai International Airport, which recorded a passenger throughput of 21.7 million passengers last year, is projected to grow by 20% this year, reaching 25 million passengers. This number is expected to hit 60 million by 2010. Passenger flights will progressively be shifted to Jebel Ali Airport as the facilities are gradually completed.



Hangar Facilities for New A380 - Emirates has 40 of the Super-Jumbos on order

Further Shake Up at Gulf Air



Then there were two - Gulf Air the carrier is now owned jointly by Bahrain and Oman

An important decision in September 2005 by the Abu Dhabi government to withdraw its investment

in the Middle East carrier Gulf Air and concentrate on its new national carrier Etihad, is likely to have a significant impact on the region. This follows on from the Qatar governments decision in 2002 to leave the airline and for it too to focus on its national carrier Qatar Airlines.

Gulf Air will be forced to focus on a two-hub strategy for Seeb International Airport at Muscat in Oman and Bahrain International Airport in Bahrain. Devising a successful strategy will not be easy and they will have to look in detail at their network, route planning, business operations and cost base.

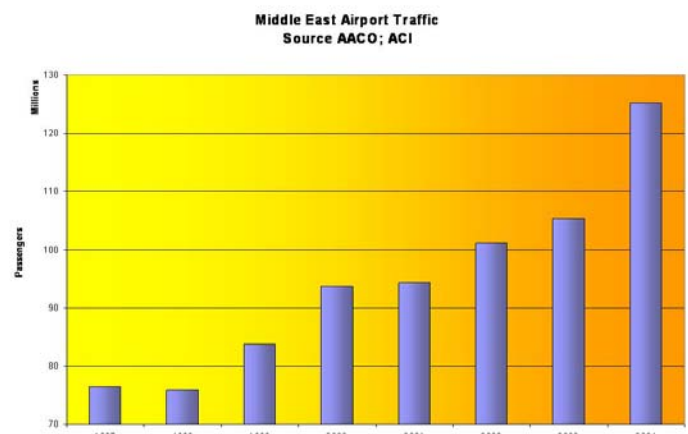
Seeb and Bahrain are two quite distinct operating bases with differing driving dynamics and outlooks. Bahrain Airport is a key access point into the Eastern Province of Saudi Arabia whereas Seeb is the capital city airport of Oman. Both airports are well located however to feed off the growing transfer traffic from the Indian Sub-Continent and the Middle East and Europe. Traffic rose at both airports by 20% in 2004 taking traffic at Seeb to 3.46 million and Bahrain to 5.2 million passengers. It will be interesting to see the impact of the new Gulf Air strategy on each airport in the near future

Arabesk: New Middle East Airline Alliance

Arab airlines are talking about forming an alliance like One World or Star Alliance. The alliance called Arabesk would include: Saudi Arabian Airlines, Egypt Air, Gulf Air, Middle East Airlines, Oman Air and Royal Jordanian. It is suggested that the main advantage would be that it could help to cut costs by rationalising route structures.

This would be an exciting way forward for the carriers as they watch the competitive pace being set in Dubai and Doha by Emirates and Qatar Airlines—both excluded from discussions. So far Emirates have avoided joining any alliance, although for a while they were closest to One World. Qatar Airways has yet to define its intentions but appears to be leaning fairly heavily towards Star.

Overall Middle East traffic rose in 2004 by 18.9%. This growth has slowed in 2005 and yet IATA reports in August 2005 that traffic is up in the Middle East by 8.9% ahead of the industry worldwide which has managed 6.1% growth.



Traffic continues to expand in the Middle East up 18.9% in 2004.

Pump Up the Rail



Seattle Monorail in Canada shows what can be done

A number of United Kingdom based projects have or will shortly come on line. A more detailed paper detailing the potential impact of fast rail access upon Kent International Airport can be found on our website.

Improving surface access to airports is key to boosting passenger numbers. With low cost carriers constraining air-side margins, initiatives to increase passenger volumes are being increasingly sought by airport operators to maintain turnover and profitability. Local Government and Regional Development Agencies in the UK are often proactive supporters recognising the locomotive effect an airport can bring to a region and are keen to support such initiatives.

Direct rail links have a direct impact on the catchment area both quantitatively in terms of reduced journey times to the airport and also qualitatively in terms of robustness and reliability of the journey. Those of us who have sat in taxis biting their nails on the M8 in Glasgow or the Limehouse Link in Docklands during their regular peak time meltdowns will no doubt flock to a fast certain direct rail service.

Cardiff Wales International	Reopening of an existing railway to passenger traffic. Opened June 2005
London City	Extension of the Docklands Light Railway Opening expected December 2005
Liverpool John Lennon	New Rail Interchange at Allerton Opens Opening expected December 2005
Glasgow	Construction of a spur from Paisley Gilmour Street to the airport and an expansion of track capacity to the City Centre – Under consideration by Scottish Parliament.
Edinburgh	The Edinburgh Airport Rail Link EARL is designed to link Edinburgh to Fife - Under Consideration by Scottish Parliament.

Airports are Real Communities

The recent dispute at the in-flight catering company Gate Gourmet at London Heathrow Airport highlighted issues far deeper than the economic plight of a major airline service provider. At the heart of the dispute were factors concerning legacy working practices. Airports require employees prepared to undertake anti-social hours shift work patterns. These working patterns reinforce a sense of community amongst airport workers and this has a powerful influence on how airports function.

Changing market conditions and intense competition from no-frills carriers have fundamentally shifted the way many airlines serve their customers. This in turn demands a corresponding response from supply chains and those directly and indirectly involved in the day-to-day operation of airlines. Airports and civil aviation requires an engaged and mutually supportive framework for this community to function successfully.

A perspective on the dispute and factors influencing airport communities can be found on our website.



Airport and Airline communities have continually shifting inter-dependencies.

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