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BAA Rejects Bid From Grupo Ferrovial SA

BAA, which operates seven airports in the U.K., said on March 17 that the \$14.20 per share buyout offer it received from Grupo Ferrovial SA does not reflect the true value of the company's assets.

Marcus Agius, chairman of BAA, commented, "Since Ferrovial made its first announcement about BAA five weeks ago, attention has focused upon the value of our assets and the quality of our management. We believe that a period of exceptional opportunity lies ahead. Delivering enhanced value to our shareholders remains this company's first priority."

BAA's board of directors said that, on the basis of this proposal, it is not in shareholders' interests for it to enter into discussions with Ferrovial.

Ferrovial, which owns construction company Amey, said that the consortium was "committed to the long-term ownership and continued development of BAA's business."

It said the group would focus on investment in Britain and enhancing

airport capacity in southeast England.

Analysts said BAA's rejection was not surprising, given reports that others, including Australia's Macquarie Bank Ltd., are also interested.

Fraport Airports Mark 'Banner Year' In 2005

Fraport Group said that fiscal 2005 was

"another banner year" for its airports, with revenues rising by 4.6 percent to EUR 2.1 billion.

Speaking at the company's annual financial press conference, Fraport AG Executive Board Chairman Dr. Wilhelm Bender said that Fraport's record sales topped the EUR 2 billion mark for the first time due to three factors: higher revenues from security services, an

Registration Open For European-U.S. Airport Environmental Issues Conference June 28-30 in Brussels

The 2006 European-U.S. Airport Environmental Issues Conference will be held June 28-30 in Brussels and is organized and hosted by Brussels International Airport Co., FAA, the European Commission, the European Civil Aviation Conference, ACI-Europe, the Association of European Airlines, AAAE, ACI-NA and the International Association of Airport Executives.

The international airports community is experiencing record growth in passenger and air traffic. Projections by both U.S. and European policy analysts continue to forecast enormous growth in the air transportation industry, both commercial and cargo operations. And both European and U.S. policymakers are considering future plans for increasing capacity in their respective portions of the globe.

Airports continue to be an integral part of these capacity increases—whether it is the construction of a new airport, or the expansion of a current airport. Further, environmental issues—noise, air and water—will continue to be a hurdle that airport proprietors must be prepared to address. For the first time, an international conference is bringing together European and U.S. aviation policy officials and airport executives to examine the environmental challenges posed by an ever expanding capacity demand.

The conference's comprehensive agenda will examine both the policy considerations from the European and U.S. perspective, as well as the response by the airport community to address these issues. A key part of the agenda is the dialogue between the U.S. and European airports leadership to look at best practices in addressing the environmental challenges of today and how those challenges will be addressed in the future. Senior executives from the U.S. government, the European Union, and recognized industry leaders in airports and other aviation businesses are expected to participate in the program.

All sessions will take place at the Conrad Brussels Hotel in Brussels, Belgium. The conference will begin with an evening reception at 19:00 on Wednesday, June 28, and end at approximately 13:00 on Friday, June 30. For further program information, contact Tom Zoeller, AAAE, in the U.S. at (703) 824-0500, Ext. 174, or e-mail tom.zoeller@aaae.org, or contact Luc Laveyne, Brussels International Airport Co., in EU, at +(32) 4-727-0605, or e-mail luc.laveyne@biac.be or luc.laveyne@skynet.be.

For further registration and hotel information, contact the AAAE Meetings Department, in the U.S., at e-mail AAAEmeetings@aaae.org.

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)

increase in traffic fees due to rising maximum takeoff weights at Frankfurt Airport, and extraordinary results from car parking and retailing at the company's home base.

Fraport's Frankfurt Airport achieved a new passenger record in 2005, when a total of 52.2 passengers used the airport, 2.2 percent more than in the previous record year of 2004, Bender said. Air freight tonnage rose 8.1 percent to 1.9 million metric tons, also a new record.

Together, the Fraport Group's airports served approximately 72.1 passengers last year, 6.4 percent less than in 2004 due to the traffic decline at Antalya Airport in Turkey. Cargo tonnage for the group's airports rose by 7.6 percent to about 2.4 million metric tons.

For the 2006 business year, Bender said the long-term growth trend in the aviation industry is expected to continue. He said passenger figures at Frankfurt Airport should grow by about 2 percent this year.

NavCanada Reaches Contract With Union Workers

NavCanada announced that it has reached a tentative contract with the Canadian Auto Workers/ Air Traffic Specialists, Local 2245, representing 850 flight service specialists.

"I congratulate both of the bargaining teams for their hard work," said John Crichton, NavCanada president and CEO. "I am very pleased that we have been able to achieve a negotiated tentative settlement in advance of the expiry of the current contract."

The agreement takes effect May 1, 2006, and expires on April 30, 2010. Ratification votes will occur over the next 30 days.

Copenhagen Airport Records Gains In February

The total number of travelers using Copenhagen Airport in February increased by 9.7 percent compared with February 2005, the airport said.

The number of locally departing passengers increased by 9.8 percent, while the number of transfer/transit passengers increased by 7.4 percent.

The number of scheduled international passengers increased by 9.5 percent, while the number of international charter passengers increased by 3.6 percent.

The total number of domestic passengers increased by 16.2 percent during the month.

The total number of takeoffs and landings decreased by 4 percent, while cargo tonnage decreased by 2.4 percent.

European Carriers Welcome Cargo Security Rules

Association of European Airlines (AEA) member airlines said they welcome new cargo security rules agreed upon for European Union member states.

"These new security rules, once in force, will greatly help to harmonize the framework applying to air carriers, but also forwarders and shippers sending cargo by air," AEA said. The new regulations, which take effect Jan. 1, 2007, "will also ensure that cargo to be uplifted by air is secured as early as possible in the supply chain, which is of fundamental importance for smooth airline operations," AEA said.

IATA: Outlook Improves For Global Airline Industry

The global airline industry will lose \$2.2 billion this year, but will post a \$7.2 billion profit in 2007, the International Air Transport Association (IATA) forecast last week.

IATA's revised forecast is an improvement on the association's previous forecast of a \$4.3 billion loss in 2006 and a profit of \$6.2 billion in 2007.

IATA Director General and CEO Giovanni Bisignani told a New York audience that, "There is a new cautious optimism emerging in the industry. Improved economic prospects in Europe and Asia, combined with an

improving situation in the U.S., will lead to reduced losses in 2006 and strengthened profitability in 2007. While the trend is positive, we are nowhere near sustainability. A profit of \$7.2 billion is only a 3 percent return on capital invested. Improved cost efficiency should be at the top of the agenda for everyone in the airline industry."

Bisignani also stated, "At the same time, governments must get out the way of a hyper-competitive airline industry on commercial issues and take a much closer look at the efficiency of airport monopolies."

IATA's revised forecasts are based on crude oil prices of \$57 per barrel in 2006 and \$52 per barrel in 2007.

On a regional basis, IATA predicted that North American carriers will reduce their losses from \$10.8 billion in 2005 to \$5.4 billion in 2006. This is largely the result of a 3 percent reduction in domestic capacity, IATA said.

Asia-Pacific carriers will continue to post the largest absolute profits in the industry at \$2 billion in 2006, IATA forecast. This is down from the \$2.9 billion posted in 2005. "Low labor costs and strong long-haul markets is their

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secret,” said Bisignani.

European carriers will follow a similar pattern with profitability dropping from \$1.8 billion in 2005 to \$1.4 billion in 2006.

“Consolidation and strong fuel hedging programs supported profitability. The higher price of fuel will hit them harder in 2006,” said Bisignani.

Traffic In Mexico Declines Due To Hotel Room Shortage

Grupo Aeroportuario del Sureste, S.A. de C.V. (ASUR) said that total passenger traffic in February decreased by 16.7 percent when compared to last year.

ASUR said it believes that the lower passenger traffic numbers to Cancun and Cozumel during the period were largely the result of the reduction in available accommodations caused by Hurricane Wilma, which struck the region in October 2005 and caused widespread damage to the hotel infrastructure in the region.

Cancun’s Municipal Tourism Authority estimates that of the 27,484 rooms available in Cancun prior to the hurricane, 17,328 or 63 percent were in operation as of February 28, 2006.

Quintana Roo’s tourism authorities estimate that there were 2,125 hotel rooms in operation in Cozumel as of Feb. 28, 2006, representing 57 percent of the approximately 3,730 hotel rooms available before the hurricanes.

ASUR said it can’t estimate the impact that these events will have on passenger traffic for fiscal year 2006.

Blackpool Airport Upgrades Baggage Handling System

Blackpool (England) International Airport has upgraded its baggage handling with 100 percent HBS (hold baggage screening) as part of the airport’s latest terminal refurbishment.

City Hopper Airports Ltd., owners and operators of Blackpool Airport, selected baggage system integrator Fabricom Airport Systems U.K. to design, manufacture and install a

complete departures system, with 100 percent HBS, to meet strict timescale and budget constraints.

The system, which went live in February 2006, will feed off 13 two-stage check-in desks and will handle baggage at Levels 1 and 2 and through to Level 3 screening. The hold baggage screening system is controlled using an S7-400 PLC, while the conveyor functionality of the operation is based on the use of a single PLC with centralized inputs/outputs.

Blackpool International Airport’s transition to automated 100 percent HBS is part of a wider project to further modernize the main terminal building, which was constructed in 1995. As well as behind-the-scenes modifications, the airport is opening a new large duty-free area, an airside restaurant, landside coffee shop and news agent, international currency exchange desk, long-term car park, and undertaking many other aesthetic improvements.

Further, Blackpool is opening two new departure gates. The airport already provides flights to several British and European destinations and is seeking to offer flights to more destinations.

In addition to existing flights to Murcia, Alicante, Malaga, Palma, Gerona and Belfast, City Hopper Airports Ltd. has just signed an agreement with jet2.com, to operate flights to Tenerife, beginning in October 2006.

Delta Addresses Market Position For Atlantic Operations

Delta Air Lines said that a “strategic redeployment” of its existing aircraft fleet will enable the carrier to strengthen its market position across the Atlantic.

The carrier said that, in addition to the eight Boeing 767-300ER and five Boeing 767-400 aircraft being redeployed from domestic to international service to support growth across the Atlantic this summer, it still has more than a dozen additional widebody aircraft operating in its domestic network.

Speaking to a group of European

journalists recently, Delta Chief Operating Officer Jim Whitehurst said, “Increasing the scope of Delta’s international operations is a key element of our business plan, which is designed to enable Delta to emerge from Chapter 11 protection next year and to position our airline for long-term success.”

Since January 2005, Delta has added or announced plans to add more than 50 new routes between the United States and international destinations, including 11 new routes across the Atlantic slated to begin by June.

BA To Upgrade Airport Check-in Procedure

British Airways said it will introduce a number of changes over the next two years designed to respond to customer trends and create the best possible airport experience for its customers.

The improvements will relate to all aspects of a customer’s journey through the airport, including check-in, baggage handling, seating allocation, lounges and aircraft boarding, the carrier said.

The first change in this process will be an evolution to the check-in process for customers flying within the U.K. Effective April 25, customers flying on U.K. domestic journeys will be required to check-in at ba.com using a kiosk at the airport.

Those customers who originate in the Americas will follow the same check-in procedure as they do now by checking in at ba.com or at a traditional airport check-in desk or at a check-in kiosk at New York’s Kennedy International. Those customers who return from U.K. gateways and connect to their long-haul flight will need to use ba.com or an airport kiosk to check-in for their entire journey.

Customers who check-in on ba.com may print their own boarding pass from their home or office printer, permitting them to proceed immediately to the boarding gate on arrival at the airport. Those passengers with bags to check in may use the airline’s bag drop facilities located at the airport.

News From Around The World

Aer Lingus has signed a contract with Airbus for the purchase of two A330 aircraft, bringing the total number of the airline's long-haul fleet to nine Airbus A330s. Both aircraft will be delivered in mid 2007. The new aircraft will be used to expand Aer Lingus' long-haul network.

Lineas Aereas Azteca announced that it has selected JFK's Terminal 4 for its first East Coast gateway, joining 50 airlines already flying from the airport's only privately operated terminal. Azteca began its New York operations on March 14, offering three flights a week to **Monterrey** and **Puebla, Mexico**.

Verified Identity Pass Canada Inc. (Verified Canada) announced that it has signed an agreement with the **Greater Toronto Airports Authority** to work together to develop a registered traveler program at Toronto Pearson International Airport.

Boeing and **Japan Airlines (JAL)** have signed an agreement designed to reduce JAL's operating costs by having Boeing manage a majority of the airline's spare parts inventory. Boeing and JAL signed a previous agreement in 2001 for management of a limited scope of expendable parts. The current agreement significantly expands on that relationship and increases the value of JAL's maintenance operations.

AeroRepublica, a subsidiary of Copa Holdings, announced a fleet modernization and expansion plan that includes firm orders for five Embraer 190 (E190) aircraft. The order also includes an option to buy 20 additional aircraft.

Lima Airport Partners (LAP) has signed a five-year contract with IBM to provide hosting services for its SAP business applications. LAP is the business consortium that manages operations for Jorge Chavez International Airport in Lima.

NavCanada announced that it has reached a tentative contract with the Canadian Auto Workers/ Air Traffic Specialists, Local 2245, representing 850 flight service specialists. The agreement takes effect May 1, 2006, and expires on April 30, 2010. Ratification votes will occur over the next 30 days.

Air Canada announced that it will expand its network with the inauguration of two new daily nonstop services to **Yellowknife, NWT**. Air Canada Jazz will begin daily nonstop service to Yellowknife from Edmonton on July 3 and from Calgary on July 4. The airline will also launch daily, nonstop service on Aug. 1 on the following new routes: Edmonton-Victoria, British Columbia; Calgary-Comox, British Columbia; Edmonton-Kelowna, British Columbia, and Winnipeg-London, Ontario.

United and **Shanghai Airlines** have signed a codeshare agreement that will cover 11 flights. The agreement requires U.S. government approval and is scheduled to take effect May 15. United routes listed under the accord include Shanghai to Chicago and San Francisco; San Francisco to Los Angeles, Newark and New York (John F. Kennedy International Airport), and Chicago to Newark and New York (LaGuardia International Airport). Shanghai Airlines flights included in the agreement depart from Pudong International Airport in Shanghai to Shenyang, Chengdu, Dalian and Qingdao.

Air Canada announced improvements in scheduled services to many of its Atlantic Canada destinations for the summer. The additional flights, operated by **Air Canada** and **Air Canada Jazz**, will add 100 flights more per week than last summer, serving Newfoundland and Labrador, Prince Edward Island, New Brunswick and Nova Scotia.

Chile's LAN Airlines said its 2006 revenue has grown to near \$3 billion, up from about \$2.5 billion in 2005.

Budapest Airport handled 475,841 passengers in February, an increase of 43,177 passengers, or 10 percent, over February 2005. Total passenger numbers rose to 8.175 million for the 12 months to February 2006, an increase of 22.5 percent over the previous 12 months. The number of passengers traveling by low-cost carriers rose by 10.7 percent in February, to 151,163, accounting for 31.8 percent of the month's total passenger traffic (27.8 percent in the 12 months to February 2006). The number of air transport movements rose by 1.7 percent to 8,537 movements, in February 2006 compared with the same period last year, while cargo increased 14.4 percent to 5,782 tons.

Dubai-based Emirates said it will increase frequency on its Paris service to twice-daily service, beginning March 26. The move will increase both seat and cargo capacity on the route. The airline currently operates 12 flights a week to Paris.

Hawaiian and **Northwest Airlines** jointly announced that they have enhanced their longstanding marketing relationship by signing an exclusive interisland codeshare agreement for air travel within the state of **Hawaii**.

The world's airlines are losing as much as \$2.5 billion each year due to lost and delayed baggage, according to **SITA**, the IT company that tracks baggage information for the industry. SITA said that the problem of mishandled baggage is worsening on both sides of the Atlantic due to "airport congestion, tight turnaround times, increased interlining, security regulations and mounting passenger and baggage volumes that introduce delays and complicate handling procedures." Thirty million bags are mishandled annually, SITA said.