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Spanish Company Launches Takeover Bid For BAA

Spanish construction group Ferrovial has launched a hostile all-cash bid for U.K. airports group BAA.

The offer is the same price that BAA rejected from Ferrovial in March, saying it undervalued the firm.

BAA owns seven airports across the country, including London's Heathrow, Gatwick and Stansted.

BAA, the UK's largest airports operator, also owns Southampton, Glasgow, Edinburgh and Aberdeen.

Ferrovial currently owns Belfast City airport and 50 percent of Bristol airport.

IATA Seeks Directive On Airport Economic Regulation

The International Air Transport Association (IATA) petitioned Jacques Barrot, vice president of the European Commission and commissioner responsible for transport and energy, for a directive on "robust national economic regulation of Europe's airports."

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)

"An efficient air transport sector is critical for Europe to achieve its Lisbon Agenda goal to become the world's most dynamic economy," IATA said. "For Europe's airlines, the Lisbon Agenda was do or die. Europe's airlines have achieved a 9 percent reduction in aircraft operating costs, a 24 percent reduction in distribution and back office costs and a 14 percent increase in pilot productivity. Airports, on the other hand, gave the airlines a 13 percent increase in per passenger costs with a total bill for airlines and their users of \$14.5 billion."

IATA noted that several airports are on track with cost reductions per passenger, including Manchester (-38 percent), Rome (-25 percent) and Birmingham (-13 percent). "But far too many airports are not delivering the competitiveness that Europe needs," IATA said. "Fifteen of the 25 most expensive airports in the world are in Europe. And the bad are getting worse. Between 2001 and 2004 we have seen increases in cost per passenger at Aeroports de Paris (+44 percent), Amsterdam (+34 percent), Stockholm (+35 percent) and Munich (+26 percent).

Munich Airport refuted IATA's claims on passenger costs at European airports as "misleading."

The airport said, "In fact, although IATA's claim that passenger fees in the period between 2001 and 2004 increased by 26 percent at Munich Airport is accurate, aircraft landing fees based on aircraft weight and type decreased by 17 percent during the same period. This is the result of a new landing fee pricing structure requested by airlines serving Munich Airport. By lowering aircraft landing fees and raising passenger fees, Munich Airport accommodated the airlines' wish for more risk sharing between themselves and the airport."

In total, the increase in passenger fees together with the decrease in aircraft landing fees represents a cumulative increase not any higher than the rate of inflation in Germany, the airport said.

This moderate increase in total landing fees at Munich Airport can hardly be used to prove that an airport like Munich Airport is not achieving "greater cost efficiency in the same way as airlines have delivered on efficiency," the airport said. "In contrast, independent of the huge infrastructure investments that must be made by airports, the Munich example shows that airports have recognized and adjusted to the specific needs of the airline industry by increasing cost efficiency and creating mutually beneficial pricing policies."

Toronto Airport Records Passenger Growth In 2005

The Greater Toronto Airports Authority (GTAA) reported that, during the fiscal year ended Dec. 31, 2005, 29.9 million passengers were processed at Toronto Pearson International, a 4.5 percent increase over 2004.

GTAA reported total revenues of \$953.7 million. Total operating expenses, including \$144.4 million in ground rent paid to the federal government, were \$527.9 million. After accounting for debt service and amortization, GTAA recorded revenues under expenses of \$118.3 million for the year. In 2004 the comparable results were revenues under expenses of \$112.3 million.

The excess of expenses over revenues in both years was anticipated due to the depreciation expense associated with the new airport facilities recently brought into operation, the airport authority noted.

During 2005 GTAA continued work on its airport development program. An additional 10 gates were opened on Pier E in Terminal 1 and work continues on Pier F and the Automated People Mover, as well as the redevelopment of parts of Terminal 3.

Boeing Signs Agreement With China For 80 Aircraft

Boeing said it signed a general purchase agreement with China Aviation Supplies Import and Export Group for 80 Boeing Next-Generation 737 airplanes.

The 80 airplanes in the agreement combine with 70 airplanes agreed to in November 2005 to complete a planned 150-airplane purchase. The first 50 of those Next-Generation 737 airplanes were booked in December 2005 with an additional 20 booked in January 2006.

Boeing said it expects to finalize agreements for the 80 new orders with the individual Chinese airlines over the next few weeks.

L-3 Communications To Supply Beijing With Detection Systems

L-3 Communications announced that its Security and Detection Systems subsidiary will supply Beijing Capital International Airport (BCIA) with its MVT-HR multi-view tomography explosives detection systems.

L-3 will initially design, install and maintain 22 MVT-HR systems, as well as provide 81 operator workstations for the BCIA Terminal 3 hold-baggage screening system. BCIA is the host airport for the 2008 Summer Olympic Games.

In late 2005, the MVT-HR was among several L-3 explosives detection systems to receive certification from the Civil Aviation Administration of China.

March Traffic Increases At Copenhagen Airport

The total number of passengers in Copenhagen Airport in March increased by 101,528 persons, or 6.5 percent,

compared with March 2005.

The number of locally departing passengers increased by 39,755 passengers (+7.8 percent). The number of transfer/transit passengers increased by 7,048 passengers (+2.5 percent).

The number of scheduled international passengers increased by 72,660 passengers (+5.4 percent), while the number of international charter passengers decreased by 6,223 (-6.3 percent).

The total number of domestic passengers increased by 35,173 passengers (+27.8 percent) compared with March 2005.

Frankfurt Airport Posts Decline In First-Quarter Traffic

Frankfurt Airport reported more than 11.2 million passengers in the first quarter of 2006, about 1.1 percent less than in the corresponding period last year.

In the month of March alone, traffic slipped by about 2.4 percent to 4,083,429, passengers compared with March 2005. The airport attributed the decline to harsh winter weather conditions, as well as to this year's late Easter holiday season.

The airport's air transport hub recorded a 13.9 percent increase in air freight tonnage in March. With 184,414 metric tons handled in March, Frankfurt achieved a new monthly record and exceeded the previous record figure of October 2005 by 3,557 metric tons. The closure of Frankfurt's overnight domestic air mail hub resulted in an expected 4.6 percent drop in airmail tonnage to 8,545 metric tons in March 2006.

With 40,118 takeoffs and landings in March 2006, Frankfurt registered a 0.9 percent slip in aircraft movements, due mainly to weather-related flight cancellations.

The Fraport Group said its Frankfurt-Hahn and Hanover airports have registered solid traffic growth since the beginning of the year.

Since the beginning of January 2006, Peru's Lima Airport has served

1,387,856 passengers, up 3.6 percent. At Antalya Airport in Turkey, a second competing international passenger terminal continues to impact traffic figures negatively, Fraport said. With 151,926 travelers recorded in the first quarter of 2006, traffic dropped by 87.7 percent compared to the previous year.

FAA Extends Chicago O'Hare Scheduling Restrictions

The U.S. Federal Aviation Administration (FAA) said that it will extend the current scheduling restrictions at Chicago O'Hare International through Oct. 28. This marks the third time that the agency has extended the operating limits on peak-hour scheduling at the airport.

The limits were first imposed in August 2004 to relieve system delays. FAA said in its latest ruling that it will extend the restrictions "to ensure that congestion and delay at O'Hare remain at manageable levels through the upcoming summer scheduling season while the agency finalizes a more detailed rule."

The agency explained that its pending rulemaking will limit scheduled

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arrivals at O'Hare and establish allocation, transfer and other procedures. FAA officials said the rule will be finalized "as promptly as possible; however, it is not possible to make such a rule effective before the August 2004 order's previously scheduled expiration."

The city of Chicago objected to the latest extension of FAA's order, stating that if congestion and delay return to O'Hare, the city could create market-based incentives to discourage over-scheduling.

However, FAA replied that the recent air traffic procedural improvements and equipment upgrades at O'Hare would not significantly increase the airport's capacity. If the scheduling order expires in August, FAA said, "Experience leaves little doubt that O'Hare would return to the peak-hour congestion and intolerable delay that prevailed before the August 2004 order took effect."

New Route Opens Between Europe, China

A new route for international traffic that reduces flight times between China and Europe by an average of 30 minutes opened for commercial traffic on April 13, the International Air Transport Association (IATA) announced.

Officially known as Y-1, the route could be used initially by 110 flights a week, IATA said.

The new route will allow airlines to save a total of \$30 million in fuel costs, IATA said. The more direct routing will eliminate 2,860 hours of flight time and 27,000 tons of fuel consumption annually.

Nav Canada To Make Changes To Customer Service Charges

Nav Canada has announced a number of revenue neutral changes to the structure of its customer service charges that will take effect May 1.

The company said the changes are a result of consultations held last year regarding the company's service charge methodology and related issues, and consultation on specific proposals that

were released in December 2005.

"Consultation is an important part of the rate setting process," said John Crichton, president and CEO. "Several of the proposals released in December have been revised as a result of the feedback we received.

"The changes that we have decided to proceed with at this time include a reduction in the weight factor used for the application of the company's terminal services charge, and a related change to the daily charge. This will mean a reduction in the charge for larger aircraft and an increase for smaller aircraft. The result will be a more equitable balance in the charges between large and small aircraft, and a charging methodology more in line with international practice," he said.

Sydney Airport Posts Improved Earnings

Southern Cross Airports Corp. Holdings announced a 5.6 percent increase in earnings for Sydney Airport for the nine months ended March 31.

Improved yields were reported from all commercial businesses and passenger traffic growth from new airline services. Total operating expenses were 9.9 percent higher than previously, reflecting the significant increase in security costs, the company said.

Changi Airport Posts Gains In Passenger, Cargo Traffic

Singapore Changi officials reported that passenger traffic in March rose 8.3 percent over the same month in 2005, to reach 2.85 million.

Also during March, air freight grew by 13.5 percent compared with last year. For the first quarter of 2006, Changi has handled 463,000 tons of cargo, a 9 percent increase over last year.

Vietnam, Korea To Liberalize Passenger, Cargo Services

Vietnam and the Republic of Korea will double the number of flights on the Ho Chi Minh City-Seoul route, from the

Caribbean/Latin American Aviation Issues Meeting Set

AAAE has scheduled a meeting for Sept. 10-12, 2006, in Curacao that will focus on issues in the Caribbean/Latin American region. Aviation decision makers from more than two dozen Caribbean and Latin American nations will be invited to attend.

This conference provides excellent networking opportunities and the chance to visit with key decision makers from many countries in one location. Topics to be discussed during the business sessions include: facility expansion and financing, security trends and pre-clearance issues, enhancing airline and airport safety, and tourism and air service development.

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previous eight per week to 16, to meet the growing demands of the sector, according to an announcement.

An agreement on liberalizing passenger and cargo transport between the two countries was signed on April 14.

By the end of 2008, all restrictions will be lifted on passenger services between the two countries.

American, Delta, BA Raise Fuel Surcharges

American, Delta and British Airways have raised their fuel surcharges for travel on most transatlantic routes.

Delta said its surcharge will increase by \$10 each way in most markets. American raised its surcharges by \$10 one way in most transatlantic and transpacific markets. British Airways will increase the fuel surcharge on its long-haul flights on tickets sold and issued in North America from \$55 per sector to \$65.

News From Around The World

Singapore's Budget Terminal opened to scheduled flight operations on March 26.

Munich Airport said it is on track to continue expanding its range of short-haul and long-haul services. For the new timetable period from March 26, 2006, to October 28, 2006, the airlines have booked slots for a total of 257,000 takeoffs and landings. This marks an increase of more than 3 percent in the number of aircraft movements over the previous year. A total of 94 airlines will be serving 229 destinations in 68 countries this summer.

The **Mexican** government will make a second attempt to privatize its majority stake in airline holding company Consorcio Aeromexico via a public auction, the company said. Consorcio Aeromexico is 60 percent owned by the government.

London's Luton Airport has placed a contract with ALSTEC for the provision of an additional baggage system, officials said. The project will include installation of check-in desks and ancillary systems to facilitate hold baggage screening. The project is intended to supplement the existing baggage system. ALSTEC has committed to a fast-track delivery, with the system going live this month.

Finnair has signed a firm contract for the purchase of nine A350-900s. The Finnish carrier also has options for four additional aircraft. Finnair had initially announced its intention to modernize and increase its long-range capacity with the new Airbus aircraft in December 2005. The first A350-900s will be delivered in 2012. Finnair also has ordered three new A340-300Es, to use in the expansion of its Asian traffic. Deliveries will begin in the spring of 2007.

Delta Air Lines announced that **Aeroflot Russian Airlines** became a SkyMiles partner as of April 1. The agreement will enable SkyMiles

members to earn and redeem miles on flights operated by Aeroflot.

Fitch Ratings has affirmed its triple B minus rating on the senior unsecured foreign currency debt of **LAN Airlines S.A. (LAN)**. The rating outlook is positive. Fitch explained that its rating reflects the carrier's strong business position, low cost structure, fleet flexibility and adequate financial profile. LAN's competitive advantages are underpinned by the integration of passenger and cargo operations, which provides revenue diversification and reduces the break-even load factor.

North American Airlines will begin weekly scheduled service from **Baltimore-Washington International Thurgood Marshall Airport to West Africa**, effective June 4. The new international air service will begin with flights to Banjul, The Gambia, and continuing to Accra, Ghana.

New traffic management arrangements to improve traffic flows became effective at **Sydney Airport's** domestic terminals on March 31. The new arrangements, which are aimed at improving security and reducing traffic congestion, enable drivers to pick up passengers already standing at the curbside. However, drivers are not allowed to wait at curbside. Airport officials said that, previously, some drivers would park their vehicles in the pick-up zone for extended periods of time, waiting for passengers to exit the terminal. This has created significant traffic congestion.

El Al reported that revenues rose by 17 percent in 2005 compared with 2004, totaling approximately \$1.62 billion. Operational profits reached \$89 million and net profits, the highest in the airline's history, increased by 94 percent over the previous year to reach \$64.1 million. The increase in El Al's record revenue was achieved despite a steep upsurge in competition in the skies and the cost of fuel, which rose 44 percent throughout the year, the carrier said.

Spanish carrier Air Europa has converted purchase rights into orders for 16 Boeing Next-Generation 737-800 airplanes. The airplanes are valued at approximately \$1 billion at list prices and will be delivered between 2010 and 2014. Air Europa will use these new airplanes on domestic routes within Spain, including the Balearic and Canary islands, as well as on European and North African routes.

Porter Airlines has selected two Toronto-based firms to design its terminal space at the **Toronto City Centre Airport (TCCA)**. The architectural and interior design partners in the terminal rejuvenation project are Scott Associates Architects Inc. and Figure3. The terminal space at TCCA has been under construction since early February and is expected to be completed by this summer. Porter said it will use the upgraded space when it begins scheduled flights from TCCA to short-haul Canadian and U.S. destinations later this year.

SkyTeam alliance members **Continental Airlines** and **Alitalia** announced they have initiated a code-share agreement.

Grupo Aeroportuario del Sureste, S.A. de C.V. (ASUR) reported that total passenger traffic for the month of March decreased by 11.9 percent when compared with March 2005. ASUR's management 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 accommodation caused by Hurricane Wilma, which struck the region in October 2005 and caused widespread damage to the hotel infrastructure in the region.

Nav Canada announced the appointment of Nick Geer as chairman of the board. He replaces R. A. Morrison, chairman since 2004, who is retiring after more than a decade on the board.