

WELCOME to The Moodie Report.

Big industry stories wait for no man. After just three hours sleep on the red-eye from New York last night your Editor's delusions of a quiet news day were quickly dismissed as the big breaking story of Ferrovial's likely bid for BAA flashed across the early morning wires. This is the sort of story that gets any industry commentator's pulse beating a little faster. BAA is an iconic British institution, a symbol of successful privatisation and a powerhouse in the aviation and travel retail industries – seemingly untouchable and all-powerful. Yet suddenly, under the scrutiny of a Spanish acquirer best known for its management of toll roads and parking lots, BAA looms as a mighty corporate prize that will inevitably attract the interest of others.

Ferrovial hedged its bets but not its interest today, saying if it bids it will be within a consortium, though it declined to reveal who the partners might be. But the name that flashes up like an imminent Qantas arrival on a Heathrow landing board is Macquarie, the deeply ambitious Australian group and fastest-growing airports company in the world.

Macquarie, run by the astute Kerrie Mather, kept its own counsel today. But it is in a 50:50 partnership with Ferrovial at the UK's Bristol International Airport. It has bought several airports in recent times (Copenhagen, Brussels) and been thwarted on other occasions. Digesting BAA would more than double Macquarie's business overnight. Other names entered and exited the equation today with Fraport and Aéroports de Paris both dismissing any interest. Expect drama, denials and developments in equal measure in coming days. Needless to say, if a sale does happen, it will have profound repercussions for travel retail. There's not an industry executive around who won't be glued to the outcome.

The other big story of the week was Macquarie-led Copenhagen Airports' decision to put its duty free business out to the market, in anticipation of Nuance's concession expiring next February. That's no surprise given that the relationship between the airport and its main tenant has been akin to that of Walter Matthau and Jack Lemmon in *The Odd Couple*. Like those two unlikely housemates, landlord and concessionaire have learned to live together, albeit with the occasional unholy row.

They even made up (after a mutually agreed arbitration case over rent went the airport's way) culminating in last year's impressive retail makeover. But making up and making money were two different things and Nuance feels it has bled too long at Copenhagen. Will it bid again? Perhaps, but certainly on much reviewed terms; or why would it bother? Gebr Heinemann, so impressively strong in nearly Oslo, shapes up as the likeliest replacement though financial prudence is a company watchword.

In phraseology that concedes the difficulties in making money out of the contract, CPH says it will allow invited companies "a considerable freedom in submitting new and innovative alternatives. Not only to the concession model, but also with regard to other partnership models." Is that the sound of the Trinity bells ringing in Copenhagen?

THE MOODIE REPORT DATA ROOM – TRAVEL & TOURISM NEWS

GUAM. Guam Visitors Bureau aims to attract 1 million Japanese visitors through its 'New Guam' brand unveiled recently, according to Travel Journal International (TJI) Online. The bureau is set to replace the island's conventional image as a beach and shopping paradise with the New Guam brand.

PERSONALITIES OF THE WEEK

Henrik Busch: The Copenhagen Airports Vice-President Commercial Affairs set in train one of the year's most intriguing tenders this week when he announced the decision to put the Nuance-run duty free business out to the market. "CPH thinks it proper now to give other large companies with an indisputable international experience in the area the possibility to show what they can offer," he said. A certain Hamburg-headquartered, Oslo-orientated retailer would fit that criterion nicely and must be installed as early bookmaker's favourite.



Krishna Kumari: Qatar Duty Free Assistant General Manager Krishna Kumari, in charge of Qatar Airways' inflight selection, has done it again. This season's brochure (page 9) is surely one of the most stylish and luxurious to hit the onboard market. That's what we call maximising duty free's 'shop window'.



Benny Klepach: Another inflight expert in the news, this time of the Stop Press variety, as his Miami-based DFASS picks up the key Delta Air Lines inflight retail contract. It's a valuable gain for the now dominant force in the ultra-demanding North American inflight market.



Selected traffic numbers reported in the past two weeks

Country	Airline/Airport	Jan '06 vs Jan '05 (%)
Brazil	GOL Linhas aéreas inteligentes	+79.5 (international RPK)
Canada	Air Canada	+2.7 (mainline RPM)
Canada	WestJet	+20.8 (RPM)
Denmark	Copenhagen Kastrup Airport	+5.7 (international)
France	Air France-KLM	+6.9 (total pax)
Latvia	airBaltic	+67.2 (total pax)
Spain	Spanair	+41.9 (total pax)
Sweden	SAS Group (five airlines)	+8.4 (total pax)
Sweden	SAS Scandinavian Airlines	-0.7 (total pax)
UK	easyJet	+11.2 (total pax)
USA	Alaska Airlines	+0.6 (total pax)
USA	American Airlines	+4.6 (total pax)
USA	Delta Air Lines	-10.4 (total pax)
USA	jetBlue Airways	+27.8 (total pax)
USA	Republic Airways	+17.5 (total pax)
USA	Southwest Airlines	+12.2 (total pax)
USA	United Airlines	+1.7 (total pax)
USA	US Airways Group	-6.5 (total pax)
Country	Airline/Airport	Dec '05 vs Dec '04 (%)
Bahrain	Bahrain International Airport	+12.2 (total pax)
Germany	Munich Airport	+10.1 (international)
Hong Kong	Hong Kong International Airport	+7.0 (total pax)
Japan	JAL Group	-6.3 (international)
New Zealand	Auckland International Airport	+1.3 (international)
Thailand	Bangkok Don Muang Int. Airport	+3.0 (international)
South Korea	Korean Air	-1.4 (international)
USA	Charlotte/Douglas Int. Airport	+5.8 (international)
USA	Los Angeles International Airport	+1.3 (international)

Note: 'total pax' may include domestic traffic
Source: ©The Moodie Report

will increase the number of flights between Tokyo and Chicago, Los Angeles, Vancouver and Taipei.

JAL announced it would also continue expanding the international role of its low-cost subsidiary JALways to secure further cost-competitiveness. JALways will take over flight operations on the Tokyo-Jakarta route from 26 March and, from 1 October, flights on Tokyo-Ho Chi Minh City, Tokyo-Hanoi, Osaka-Hanoi and Tokyo-Sydney routes.

The airline aims to save about JPY8 billion (US\$67 million) in the coming fiscal year. JAL said that higher fuel costs and weaker demand for domestic flights caused its net loss for October-December to nearly triple from a year earlier.

JAPAN. Package tour bookings at Japan's top five travel agencies are down in the first three months of this year compared to a year ago, according to Travel Journal International (TJI) Online.

The survey by the Japan Association of Travel Agents (JATA) reflects booking levels of JTB Corp, Kinki Nippon Tourist, Nippon Travel Agency, Jalpak and Hankyu Express International conducted in the first few weeks of January. The five agencies make up 45% of total overseas travel sales in Japan so provide a very important indicator of business health.

New Guam will place the spotlight on attractions such as trekking, historic-trail walking and the Guam Museum. Other projects to be initiated in Guam include renovations at major hotels to focus more on high-end consumers, renewal openings of boutiques and duty free shops to cater for high-end consumers, and an emphasis on 'Upgraded Guam' to attract senior travellers in particular.

Guam tourism has developed in tandem with the Japanese market, which accounted for 80.7% of the 1,184,928 foreign visitors to the island destination, said Guam Visitors Bureau General Manager Gerry Perez. In 2005 the number of Japanese arriving in Guam reached 955,245, up +5% from a year earlier.

JAPAN. Japan Airlines is downsizing its international passenger operations by about -10% from April as it aims to return this side of the business to profitability in the 2006 fiscal year. JAL said it would focus on high-profit and high-growth routes, while suspending the unprofitable Tokyo-Las Vegas and Osaka-Los Angeles routes, and two links from Seoul to regional cities in Japan.

Flight frequency will be reduced on JAL's Tokyo-London and Tokyo-Bangkok routes. However the airline

See more lift. Feel firmer. 92% of women do.*

Introducing
Resilience Lift Extreme
Ultra Firming Moisturizers

Highly effective formulas with our exclusive ExtremeLift® Complex empower mid-life skin, so it looks more lifted, more contoured, more radiant.

*After using Resilience Lift Extreme Lotion for 4 weeks.

ESTÉE LAUDER

Provisional bookings in January are off -9.3%, down -13.6% in February and behind -0.8% in March, said JATA. The Turin Winter Olympics in Italy, promoted as a key attraction in February, has helped fuel bookings for Europe, up +6.1% from the same period a year ago. Guam/Saipan bookings are up +2.8%, underscoring the strength of the beach resort destinations.

However, February appears to be the weakest month in the first quarter of this year. In March, bookings are stronger for North America (+19.1%), Hawaii (+17.2%) and Guam/Saipan (+0.2%). Europe, thanks to post-Winter Olympics travel, shows a +7.5% increase in bookings for the month.

In other news, JATA reported that overall bookings in 2005 grew +2.3% compared to a year earlier, with reservations ahead +12.9% for North America, +11% for Europe and +0.8% for Asia. All other major destinations generated lower booking levels for the 12-month period, with China down -21.4%.

SOUTH KOREA. Last week we reported a +14.2% rise in the number of South Koreans travelling abroad in 2005. This week detailed statistics released by Pacific Asia Travel Association (PATA) and the Korea National Tourism Organization indicate that outbound movements were particularly strong in the summer with more than 1 million Koreans travelling abroad in both July and August, the peak season.

PATA Director-Strategic Intelligence John Koldowski said: "The Korean outbound tourism miracle has been the product of dramatic and, at the time, painful structural reform in the economy following financial collapse in 1997/98. Over time, as the Korean people's spending power strengthened, so did their resolve to spend it on overseas experiences, especially in Asia."

The 2005 statistics also reveal that:

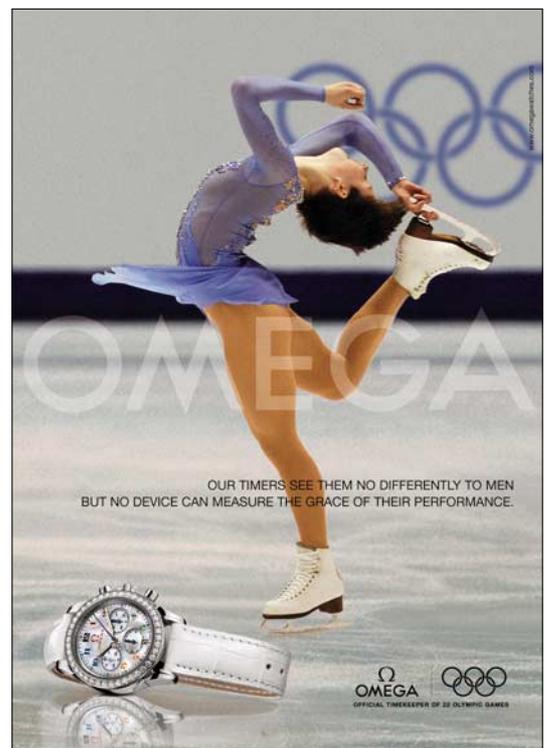
- The most popular destination regions were Asia (72.6%), the Americas (8.1%), Europe (5.8%) and the Pacific (4.5%).
- China and Japan were the most popular countries, attracting 2.96 million and 1.74 million Koreans, respectively. Together both countries captured 51.1% of total Korean outbound travellers.
- In Europe, Germany and the UK were first and second most popular destinations with 141,606 and 111,845 arrivals, respectively.
- Travel for pleasure accounted for 60% of Korean trips, while business trips made up 22.5%.
- Pleasure travel accounted for 77% of all Korean trips to the Pacific, 62% of trips to Asia, 51.8% to Europe, and 38% to the Americas.
- About 52.4% of travellers were aged 40 or younger, with 29.1% aged 30 or younger. Koreans over 60 only accounted for 9.3% of the total.
- Air was the most preferred mode of travel, with Seoul Incheon Airport capturing 80.9% of all outbound movements.

THE MOODIE REPORT

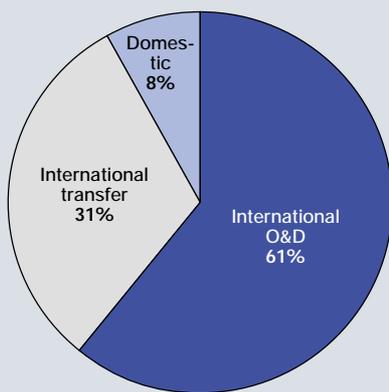
DATA ROOM - TRAVEL & TOURISM NEWS

DENMARK. Overseas traffic growth at Copenhagen Airport continued in 2005 with a total increase in passenger numbers of more than 100,000 last year. A total of 1,877,000 passengers travelled between Copenhagen and destinations outside Europe, representing a +6% rise year-on-year. More than a third of the overseas passengers – 643,000 – travelled to or from destinations in the US, while Thailand was the second-largest destination with 372,000 passengers, followed by China with 274,000. An aggregate 9.4% of the airport's almost 20 million passengers last year travelled to or from overseas destinations.

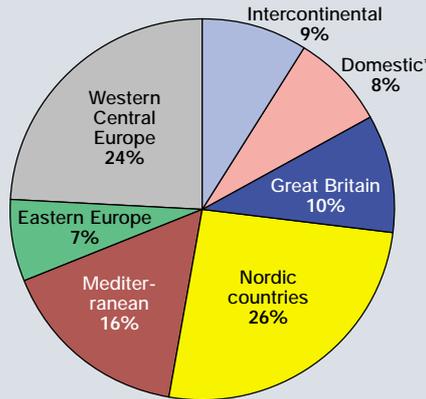
In January passenger numbers were +5.7% ahead at 1,360,585, despite bad weather and a strike among SAS pilots which caused 800 cancellations. The total number of international passengers also climbed by +5.7% year-on-year, to reach 1,236,464. Scheduled international traffic increased by +5.4% to 1,138,977, while international charter passengers rose +10.0% to 96,469. The number of locally departing passengers climbed by +10.3%, while transfer/transit passengers fell by -3.2%.



Copenhagen Airport: Passenger mix, passengers per region and purpose of travel 2005

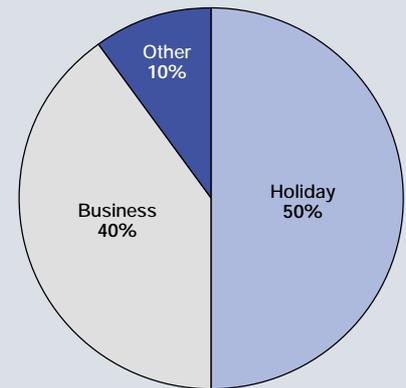


Traffic mix



Passengers per region

*includes Greenland & Faroe Islands



Purpose of travel

(passengers from Sweden and Denmark)

Copenhagen Airport: Consolidated statements of financial performance 2001-2005

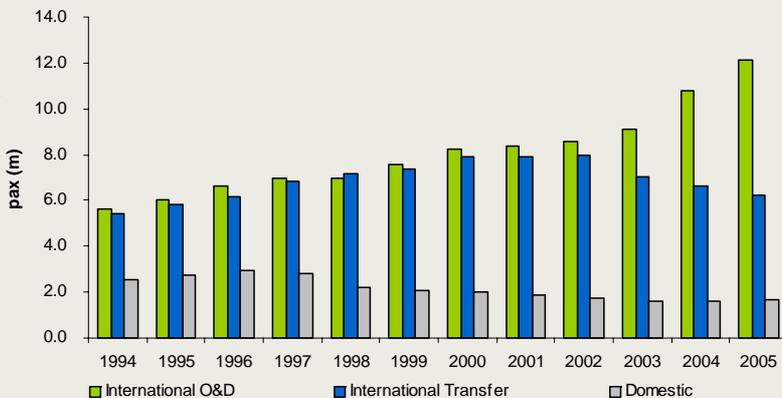
Revenue stream	2005 Q1 DKK million	2005 Q2 DKK million	2005 Q3 DKK million	2004 DKK million	2003 DKK million	2002 DKK million	2001 DKK million
Traffic revenue	312.9	378.0	398.6	1,319.7	1,123.8	1,113.8	1,118.8
Concession revenue	171.0	206.7	205.1	730.6	669.1	625.5	549.3
Rent	44.7	56.7	49.0	176.6	174.6	176.0	168.1
Sales of services, etc.	77.4	83.7	82.1	258.4	246.3	230.1	204.7
Net operating revenue	606.0	725.1	734.8	2,485.3	2,213.5	2,145.3	2,041.0

Copenhagen Airport: Top ten destinations and markets 2005

Rank	Destination	Pax	Rank	Market	Pax
1	London	1,379,704	1	Norway	2,056,991
2	Oslo	1,268,397	2	Sweden	1,834,996
3	Stockholm	1,231,638	3	Great Britain	1,831,266
4	Paris	693,207	4	Germany	1,652,832
5	Helsinki	629,654	5	Denmark	1,421,938
6	Schiphol	617,426	6	Spain	1,276,604
7	Frankfurt	551,559	7	France	1,048,220
8	Aalborg	526,950	8	Finland	779,512
9	Reykjavik	426,186	9	Italy	773,296
10	Gothenburg	400,371	10	Netherlands	662,027

Two airlines will start overseas routes out of Copenhagen to the US this year: Delta Air Lines will launch direct flights to Atlanta from 2 May, and Continental Airlines will commence flights to New York from 24 May. Additionally Emirates begins direct flights to Dubai on 1 October with onward connections

Copenhagen Airport: Historical traffic performance



Source: Macquarie Airports; The Moodie Report

to many destinations in Asia, Australia, New Zealand, Africa and the Middle East.



Traffic on scheduled services of AEA member airlines December 2005

Region	Passengers boarded (000)	Traffic RPK (million)	Capacity ASK (million)	Load factor %	Change on 2004			
					Pax %	RPK %	ASK %	PLF Pts
1 Domestic	7,662.7	4,168.1	6,454.1	64.6	+7.3	+9.4	+6.1	+2.0
2 Geographical Europe	10,556.8	10,720.8	17,376.5	61.7	+5.9	+7.1	+2.1	+2.9
3 Europe-North Africa	315.9	613.3	957.4	64.1	+7.9	+7.9	+6.6	+0.8
4 Europe-Middle East	523.0	1,854.3	2,571.4	72.1	+7.1	+7.4	+2.5	+3.3
5 North Atlantic	1,978.2	13,437.3	16,894.5	79.5	+1.1	+1.1	+0.0	+0.8
6 Mid Atlantic	533.5	4,079.7	5,197.3	78.5	+3.7	+3.0	+0.4	+1.9
7 South Atlantic	383.6	3,400.0	4,004.3	84.9	+16.5	+15.8	+10.3	+4.0
8 Europe-SubSaharan Africa	681.8	4,601.8	5,793.5	79.4	+5.2	+3.7	+4.5	-0.6
9 Europe-Far East/Australasia	1,381.7	11,450.8	14,759.3	77.6	+16.3	+16.1	+13.2	+2.0
All long-haul (5 to 9)	4,976.6	37,012.5	46,717.2	79.2	+7.0	+7.2	+5.4	+1.3
All international (2 to 9)	16,372.3	50,200.9	67,622.5	74.2	+6.3	+7.2	+4.4	+1.9
Total*	24,035.0	54,369.0	74,076.7	73.4	+6.6	+7.4	+4.6	+1.9

Traffic on scheduled services of AEA member airlines January-December 2005

1 Domestic	101,037.1	54,535.2	82,397.4	66.2	+2.9	+4.1	+3.8	+0.2
2 Geographical Europe	147,225.7	153,211.9	226,934.2	67.5	+4.7	+6.3	+2.8	+2.3
3 Europe-North Africa	3,845.5	7,455.0	11,120.3	67.0	+7.4	+7.3	+10.0	-1.7
4 Europe-Middle East	6,573.5	22,207.1	30,174.8	73.6	+7.1	+7.0	+1.3	+3.9
5 North Atlantic	27,360.6	186,649.7	225,930.5	82.6	+1.9	+2.1	+0.8	+1.0
6 Mid Atlantic	6,261.5	48,528.3	59,299.9	81.8	+5.8	+6.7	+4.4	+1.8
7 South Atlantic	4,194.9	36,873.7	44,597.1	82.7	+13.7	+13.1	+13.4	-0.2
8 Europe-Sub Saharan Africa	7,385.5	49,721.4	63,789.4	77.9	+4.9	+4.6	+4.7	0.0
9 Europe-Far East/Australasia	15,970.5	134,375.4	168,588.7	79.7	+12.3	+12.2	+9.7	+1.7
All long-haul (5 to 9)	61,336.6	456,393.9	562,578.6	81.1	+5.9	+6.5	+5.1	+1.0
All international (2 to 9)	218,981.3	639,267.8	830,808.0	76.9	+5.1	+6.5	+4.4	+1.5
Total*	320,022.9	693,803.7	913,207.1	76.0	+4.4	+6.3	+4.3	+1.4

Traffic is measured in passengers boarded (pax), RPK (revenue passenger kilometres) and capacity in ASK (available seat kilometres). Growth rates have been adjusted for changes in membership. Note: Long-haul region 'Other' is not shown above, but is included in the total.
Source: Association of European Airlines; The Moodie Report

EUROPE. The Association of European Airlines (AEA) has said that 'normal' traffic growth in 2005 masks volatility in the market. Releasing 2005 traffic and capacity data for its 30 passenger-carrying members, the AEA said the number of passengers boarded during the year topped the 320 million mark, over 13 million more than in 2004.

In passenger-kilometre terms the increase was +6.3%, which is the closest the industry has come to 'normal' market growth since the series of market shocks which began with the 11 September 2001 attacks, the association said. However regional results showed great variability, it added.

In AEA's largest market, cross-border Europe, growth of +6.3% exactly matched the overall figure. Domestic traffic within Europe, however, grew more slowly at +4.1%. Asia traffic was buoyant throughout the year, up +12.2%. Driving the growth were the booming markets of China and India, where the latest figures (January-August) indicate passenger increases of +26% and +20% respectively.

At the other end of the growth spectrum was an increase of only +2.1% on North Atlantic routes, AEA's biggest long-haul market with over 27 million passengers last year. Load factors increased by 1.4 percentage points over the record 2004 level to 76.0%, with improvements in almost all operating areas.

WIN PRIZES WORTH
Dhs. 1,500,000

1st Prize Dhs. 1,000,000

OR ONE OF 10 FABULOUS PRIZES

THE ABU DHABI DUTY FREE
BIG TICKET PRIZE DRAW
Buy Online @ www.addf.ae

Entry tickets only
Dhs. 500

ENTER NOW!



FOR RULES AND LIST OF PRIZES VISIT OUR WEBSITE: www.addf.ae
Buy your raffle ticket today at: City Terminal, Abu Dhabi Duty Free, Abu Dhabi Airport Landside Shops, Al-Ain Duty Free, Ghawtat Duty Free or On-Line on our website

OAG ranking of world airports by international flight frequencies, week commencing 13 February 2006

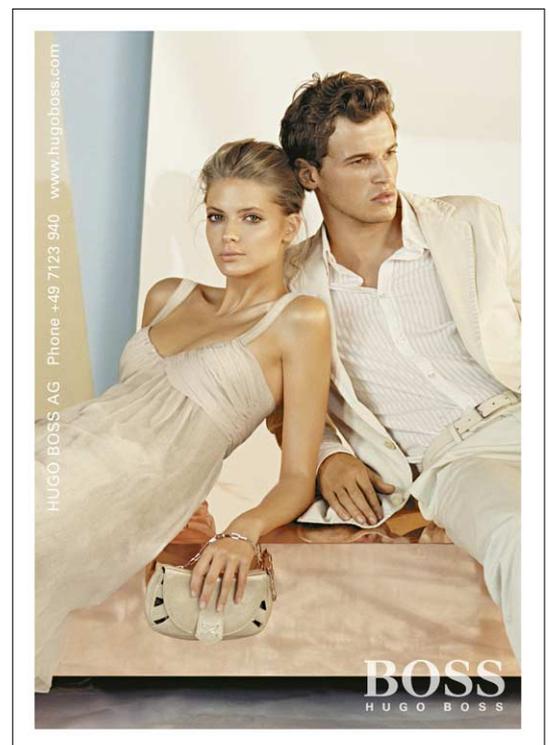
Rank	Airport	Country	Flights in week	Change on year
1	Paris Charles de Gaulle	France	4,080	+4%
2	London Heathrow	UK	3,913	+2%
3	Frankfurt International	Germany	3,425	+2%
4	Amsterdam Schiphol	Netherlands	3,271	0%
5	Munich International	Germany	2,339	+2%
6	Hong Kong International	Hong Kong (SAR)	2,248	+11%
7	Copenhagen Kastrup	Denmark	1,995	-10%
8	Singapore Changi	Singapore	1,912	+11%
9	Zürich	Switzerland	1,902	-5%
10	Vienna	Austria	1,893	+2%
11	Toronto Lester B Pearson Intl	Canada	1,871	-3%
12	Madrid Barajas	Spain	1,865	+1%
13	Brussels National	Belgium	1,824	+1%
14	Milan Malpensa	Italy	1,696	+8%
15	Bangkok	Thailand	1,644	+7%
16	San Juan Luis Munoz Marin Intl	Puerto Rico	1,541	+3%
17	Dubai	UAE	1,532	+13%
18	London Gatwick	UK	1,520	+8%
19	Tokyo Narita	Japan	1,377	+0%
20	London Stansted	UK	1,369	+11%
21	Rome Fiumicino	Italy	1,333	-2%
22	Miami International	USA	1,324	+0%
23	Barcelona El Prat	Spain	1,322	+6%
24	Seoul Incheon International	South Korea	1,279	+6%
25	Dublin	Ireland	1,270	+4%
26	Düsseldorf International	Germany	1,206	+2%
27	Stockholm Arlanda	Sweden	1,137	-5%
28	Prague Ruzyně	Czech Republic	1,134	0%
29	Taipei Chiang Kai Shek Intl	Taiwan	1,121	+2%
30	New York JFK International	USA	1,100	+7%
31	Geneva	Switzerland	1,094	+3%
32	Manchester International	UK	1,013	-6%
33	Kuala Lumpur International	Malaysia	947	+13%
34	Budapest Ferihegy	Hungary	930	0%
35	Shanghai Pu Dong	China	910	+6%
36	Istanbul Ataturk	Turkey	907	+14%
37	Los Angeles International	USA	901	-4%
38	Helsinki	Finland	901	+2%
39	Warsaw	Poland	888	+11%
40	Lisbon	Portugal	866	+6%
41	Paris Orly	France	856	+8%
42	Houston George Bush Intercontl	USA	855	+6%
43	Chicago O'Hare International	USA	853	+3%
44	Nice	France	849	-4%
45	Oslo	Norway	840	+7%
46	Newark Liberty International	USA	770	+6%
47	Moscow Sheremetyevo	Russia	746	-1%
48	Hamburg Fuhlsbüttel	Germany	725	+13%
49	Mexico City International	Mexico	705	-1%
50	St Maarten	Netherlands Antilles	696	+6%

Source: OAG; The Moodie Report

GERMANY. Munich Airport last week unveiled strong results for 2005, underlining its status as a “reliable growth engine” for international traffic at the European level, according to CEO Dr Michael Kerkloh. Some 28.6 million passengers used the airport last year, he said, up nearly +7% over the previous year. “No other German airport achieved an increase on this scale in 2005. Among Europe’s top ten airports in terms of passenger volume, only the Spanish hubs – Madrid and Barcelona – posted stronger growth rates than Munich,” he added.

Munich is now Europe’s eighth most popular airport, just behind Rome. Intercontinental traffic did well, rising by +13% year-on-year. But the hottest action occurred in the low-cost sector, where passenger numbers jumped by +28% to 3.5 million. The leading carrier was DBA, which raised its passenger count by over +40% last year. Germanwings and Hapag-Lloyd Express also grew strongly.

Revenues rose by around +5% to €687 million with group-wide revenues up by +7% to €842 million. Preliminary figures suggest a small overall net profit of €5 million. “We have thus achieved our goal of returning Munich Airport to profit two years earlier than originally planned,” Kerkloh said. One of the key drivers in the improved performance was the group’s ‘M-Power’ programme launched in 2003. This programme included a



major company restructuring in early 2005 which divided the company into five divisions – including one dedicated to retail and services. Munich Airport runs its own duty free operations.

The big story for the airport is the development of a third runway, hopefully by 2011, to cope with increased traffic and capacity pressure. Shareholders granted approval for the facility last July. The airport is working closely with affected communities to ensure the new terminal is approved.

JAPAN. International passengers at Osaka Kansai Airport rose +4% in 2005 to 308,000, according to airport authority Kansai International Airport Co (KIAC). The total number of passengers using the airport rose +8% to 447,000. The results, reported by Japanese travel industry experts Travel Journal International (TJI) Online, were mainly attributed to significant growth in the number of non-Japanese visiting Japan for the 2006 World Exposition in Aichi prefecture, the government's Visit Japan Campaign and relaxation in visa requirements for incoming visitors.

Each month from February to December 2005 set all-time highs in the number of Japanese on international flights at Kansai. From January to June the number of Japanese on international flights showed year-on-year gains, but began falling from July due to the anti-Japanese rallies in China.

President Atsushi Murayama said KIAC planned to extend new services to foreign destinations such as China to lift business in the second half. Referring to Japan Airlines' plans to suspend its Los Angeles service from October 2006 and the Sydney service via Brisbane from Summer 2007, he said KIAC would try to secure those services, as the flights were vital to the airport.

Meanwhile Tokyo Narita Airport posted an all-time record for Japanese international travellers last year, according to TJI. Narita Airport Authority said the number of Japanese heading abroad rose +0.9% year-on-year to 19.1 million. The previous record was 18.9 million set in 2004.

TJI said the increase came despite the anti-Japanese sentiments in China and South Korea. Total international travellers (including foreign visitors and transit travellers) reached 30.4 million, also a record. Just over 8 million foreign visitors used the Tokyo gateway airport, another all-time high. Aircraft movements reached 146,306, up +1.6% on 2004. China rose +6%; Southeast Asia by +2% and Europe by +2%. Oceania eased -1%, South Korea was down by -2% and Guam slipped -4%.

The top five airlines out of Narita were Japan Airlines (-7% in flight movements); All Nippon Airways (+9%); Northwest Airlines (+3%); United Airlines (-6%) and JALways (+92%).

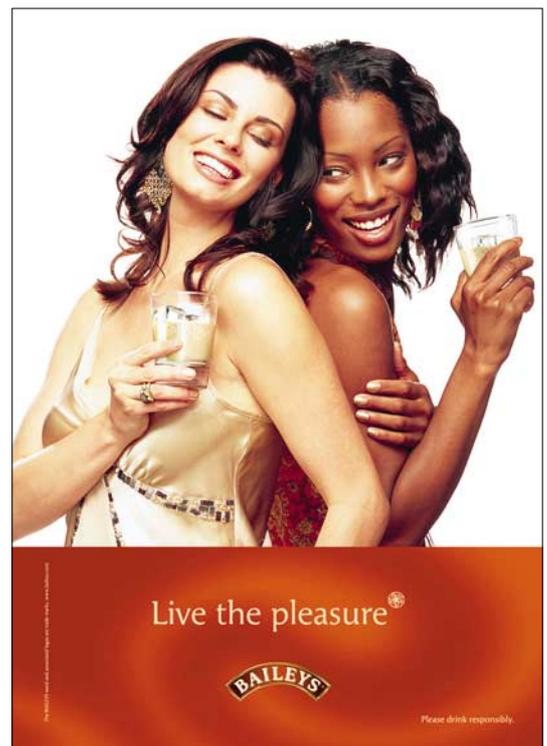
Note: Travel Journal International Online is the pre-eminent provider of information on the Japanese travel industry. To subscribe, please go to <http://tji/tjinet.co.jp/>

SWITZERLAND. A total of 17.9 million passengers used Zürich Airport in 2005, up +3.7% on the previous year. Average load factor rose from 65% to 67%, said airport authority Flughafen Zürich. National carrier SWISS posted the biggest increase in passengers (+9.1%), followed by Air Berlin, British Airways, Fly Niki, Styrian Airways and United Airlines.

In 2005 the volume of transfer passengers rose by +9.9% to reach 5.3 million – a trend that points to increased use of Zürich as a hub airport, the authority said.

For December 2005 passenger volume rose by +3.5% versus the same month last year, while the number of flights fell by -2.9% in the same period. London was the most popular destination, followed by Vienna and Paris. The proportion of traffic volume handled by SWISS is almost 48%, followed by Lufthansa (7%), Helvetic (4%), Air Berlin (3%) and British Airways (3%).

UK. British Airways has reported that January 2006 passenger traffic, measured in revenue passenger kilometres, was higher by +3.3%. The



passenger load factor edged up 0.2 points versus last year, to 72.5%. Premium traffic rose +7.8% and non-premium traffic increased by +2.6% .

Passenger numbers on Asia Pacific routes climbed +12.8% to 166,000 during January, while traffic on Africa and Middle East routes rose +6.1% to 318,000. Passenger levels to UK/Europe were static at 1,599,000.

BA said some yield improvement was still expected for this financial year and revenue was expected to grow by more than +8%. “Despite the improved revenue outlook, market conditions remain broadly unchanged as significant promotional activity is required to maintain seat factors,” BA said in a statement.

THE MOODIE REPORT

DATA ROOM – RETAIL & COMMERCIAL SALES RESULTS

GERMANY. Retail revenues rose by around +15% at Munich Airport in 2005, outstripping passenger growth. Retail includes food & beverage, duty free and specialist retail and some service units such as foreign exchange. The airport runs its own duty free operations through its subsidiary Eurotrade.

Senior Vice President, Corporate Real Estate Management Rainer Beeck told The Moodie Report: “This was more than the passenger growth [nearly +7% – Ed] so it is very good. The driver of course was Terminal Two, though we are restructuring T1 with regard to retail facilities.”

The acclaimed T2 has a centralised retail concept in one main hall, but T1 works from a series of decentralised modules. Modules C and D were modernised in 2004 and this year A and B will be operative, with completion due by March 2007. Reviewing last year’s performance Beeck said that duty free sales had increased strongly, driven by the growth in intercontinental passenger numbers while fashion also performed well.

THE MOODIE REPORT

NEWS – LANDLORDS & CONCESSIONAIRES

CANADA. Construction has begun on a major new duty free store at the Peace Arch border crossing. The operator, Peace Arch Duty Free, expects the shell to be handed over by the end of March for the interior finishing to begin. “The projected opening date is still on track for the first week of May 2006,” said Kathy Holmes, Executive Assistant & Coordinator of Canadian Duty Free Group Inc and Peace Arch Duty Free.

The new outlet will specialise in liquor sales, with more than 30% of the 26,000sq ft space dedicated to wines and spirits. It will feature a dedicated area for Cognac, international beers and tasting bars catering to Asian tourists. Company President Peter Raju said traditional duty free items, such as fragrances and jewellery, will also be carried.

The Peace Arch crossing is one of Canada’s busiest, with more than two million cars and five million travellers a year. It is also claimed to be one of the most lucrative duty free locations in the country. But the crossing has been without a permanent shop since December 2000, when Heritage Duty Free, one of the pioneers of Canada’s land border trade, closed down.

FRANCE. A new men’s perfumery has opened in Paris Charles de Gaulle (CDG) Terminal 2D. The Men’s Lounge concept is operated by SDA (Société Distribution Aéroportuaire), the joint venture between AdP and retailer Aelia.

The area covers 60sq m, and is described as trendy “yet resolutely masculine”. About 64% of CDG T2D’s passengers are men. The Men’s Lounge offers a wide range of masculine beauty and personal care products, plus an area for express beauty treatments. The outlet carries over 46 brands, across a portfolio that includes skin care, hair care, fragrance and shaving accessories. Also on offer to passengers is a “profler software” device, which helps them to choose the most appropriate regimen and beauty treatments.



Highlights include:

- **The Spa by Nickel area:** Described as the first airport beauty parlour dedicated to men
- **The Skincare Bar:** An interactive terminal developed by Biotherm, which provides tailor-made facial care advice. Its touch-screen set-up allows passengers to self-diagnose in just one minute.
- **The Interactive Perfume Alcove:** This allows passengers to choose the fragrance that best suits them from a selection based on five profiles, including Rebel Attitude and Urban Modern.

GERMANY. Frankfurt Airport has opened an ambitious new retail-to-food & beverage complex called 'Shopping Avenue' in Terminal One. The new offer involved a six-month remodelling of the former Skyline Arcade. The new concept is geared for the first time to a younger target group and the intermediate price range, the airport company said.

The new complex contains "an appropriate shop and tenant mix" and features a completely new architecture. Following an invitation to bid for the slots, some of the former tenants and a number of new ones were selected. Airport owner Fraport said its planners worked closely with the zed architectural office, based in Zürich, to develop an entirely new architectural and lighting concept.

The Shopping Avenue covers a total net retail space of 1,445sq m. Highlights (full details and pictures online at www.TheMoodieReport.com) include:

- **Starbucks** – a first at a German Airport
- **Nike** – trendy sports fashions
- **Burrese** – 'avant garde fashion'
- **More & More** – The 180sq m-plus store offers "youthfully modern womenswear".
- **Bree** – a broad, colourful range of leather accessories popular with Asians.
- **Christ** – youthful jewellery designs and affordable watches from German fragrances-to-jewellery retailer Douglas Group
- **Relay** – A 59sq m Relay shop selling books, magazines and newspapers and the 16th Relay outlet at Frankfurt Airport.
- **Käfer's Restaurant and Pfendt Airport Optik** – These two new outlets are due to open in the Shopping Avenue in coming weeks.

QATAR. Qatar Airways has just launched its new inflight retail brochure, perhaps one of the most impressive seen in the industry. Besides its fine visual and reproduction quality and top-quality paper, the 124-page publication features a host of new products and airline exclusives. But its most striking feature is the high quality transparent art paper used as content pages to introduce different category sections. This lends a luxury feel to the publication unusual in an inflight brochure.

Inflight Duty Free – Your Personal Shopping Guide has a striking front cover visual from Escada fragrance (eau de Parfum). It then dedicates its opening double page spread to the retailer's own competition – run in association with Traveller Limited – in which consumers who spend US\$200 onboard have the chance to win a Mercedes Benz CLK200.

Cleverly, most pages of the brochure are delicately edged with a reminder of the opportunity to enter the competition. The inside back spread is devoted to Nokia and related accessories. The outside back cover features a Chopard writing instrument, reflecting the brand's importance within the brochure.

Inside follows an emphasis on luxury combined with exclusivity – four pages of Chopard lines, ranging from a Diamond C Pen (US\$710) to four different scarves, and two pages of Montblanc items, including an exclusive Montblanc Mozart Notebook (US\$271). For a full report see www.TheMoodieReport.com

SWITZERLAND. Zürich airport authority Flughafen Zürich is trialling shopping carts in its Airside Center shopping complex in a bid to boost passenger dwell-time. The company said initial findings had shown that when passengers had the option of pushing their hand luggage and purchased goods in comfort through the shopping zones in the Airside Center they were encouraged to spend more time browsing around the shops.



US. Alpha Retail USA is set to complete a big US\$2 million expansion and upgrade of its Orlando International stores by Easter. "We have worked with Alpha and Designhouse on the store design and it will be a major improvement," Alpha Retail USA President Rod Wiltshire told The Moodie Report.

In another big development for the company, this time on the personnel front, Alpha is hosting its first-ever US Alpha Heroes Awards. The staff recognition scheme, based on the acclaimed UK and Sri Lanka Alpha Heroes events, will culminate in a gala evening and the naming of the winners on 25 February. "We have had fantastic support from our supplier partners," Wiltshire enthused.

US. Miami-based DFASS Ventures, a member of the DFASS Group, has been awarded the onboard duty free retail contract for Delta Air Lines, effective 8 April. The business has been run by Diplomatic Supplies Canada (DSC) since 2004.

Neither DFASS nor Delta could be reached as we went to press, but key vendors who have been notified officially of the change confirmed it to The Moodie Report.

The business is estimated to be generating annual sales of about US\$12 million but sources believe the potential is much higher. Delta is planning to put a much greater focus on its inflight duty free operation and is also expanding its route network fast – including new services to Tel Aviv, Copenhagen, Nice and Kiev, among others.

The agreement is a considerable gain for Benny Klepach's privately-held DFASS, which is now the dominant inflight supply and retail force in North America and also enjoys a strong presence in Latin America and the Caribbean and North American ground shops. The retailer has worked especially hard to develop a tailor-made offer customised to each individual airline client, believing that is key to maximising revenues for individual clients.

THE MOODIE REPORT

TENDER & CONTRACT NEWS

AUSTRALIA. Sydney Airport has reached new agreements with replacement retailers for its jewellery business after long-time concessionaire Angus & Coote closed its four outlets on 31 January. General Manager Retail & Commercial Development Bob McFadyen told The Moodie Report last week that an announcement on the new players is imminent. Australian jewellery retailer Angus & Coote also withdrew from its Melbourne Airport operations last year, blaming a loss-making airport division on a sharp downturn in spending and lower Japanese visitor levels.

McFadyen said the airport company was also very close to releasing the Request for Proposals (RFP) for its high profile A\$220 million duty free contract, currently held by The Nuance Group. Sydney Airport called for expressions of interest last August. "We have a comprehensive field of high quality operators," he enthused, "the majority of which have already visited and inspected the existing premises."

The RFP will close in mid-April 2006. "We are targeting an announcement in early July," McFadyen told The Moodie Report. The contract has been held by The Nuance Group since it acquired Downtown Duty Free in the mid 1990s, and expires on 31 October 2006. The new contract begins the following day.

DENMARK. Macquarie-owned Copenhagen Airports (CPH) is to tender the duty and tax free contract at Kastrup Airport, which expires on 28 February 2007. CPH Vice-President Commercial Affairs Henrik Busch said: "The decision to tender the contract first and foremost originates from CPH's wish to test the market. The Nuance Group has operated the shops for more than ten years and has done an excellent job. CPH thinks it proper now to give other large companies with an indisputable international experience in the area the possibility to show what they can offer.

"CPH expects the tender process to be completed in time for CPH to make a decision on the continuation of the shops at the end of August 2006 at the latest." Busch said CPH would draw up a shortlist of companies, who will then receive the tender documentation. The new agreement starts on 1 March 2007 and runs for five years until 28 February 2012.

The Nuance Group President and CEO Roberto Graziani commented: "[With Nuance] Having held the concession since 1995, it is entirely reasonable to expect that a new airport owner would want to establish a valuation of the concession on the open market. We continue to work closely with CPH and value the tender process as an opportunity for a retailer to offer new approaches to structuring what is a significant contract. We will be one of many interested parties and we look forward to taking advantage of our intimate knowledge of this particular market place as well as of our specific retail expertise to deliver an innovative and interesting proposal for the airport and its shareholders."

Copenhagen Airport's main tax and duty free shop, one of the largest in the world, is located in the centre of the shopping area. Four satellite outlets are located in or near the piers and an arrivals store is situated in the baggage reclaim area. The tax and duty free concession achieved a total turnover of approximately DKK690 million (US\$110 million) in 2005 from its present product range, CPH said.

In the Expressions of Interest – Prequalification document, CPH added: “While the basis for the tender will be a modernised concession model, CPH will allow the invited companies a considerable freedom in submitting new and innovative alternatives. Not only to the concession model, but also with regard to other partnership models, etc.”

NORWAY. Norwegian airport authority Oslo Lufthavn has issued a tender for retail stores, service functions and car rental at Oslo Airport. The contract period runs from 1 January 2007 to 31 December 2011. The last day for registration is 9 February 2006 and registered bidders will receive further information in mid-February.

The tender for commercial activities comprises:

Shops and kiosks: Allocated areas are situated on both Arrivals and Departures level. The total Arrivals area covers approximately 1,040sq m and the Departures area measures about 240sq m. For enquiries or registration, contact Commercial Developer Brita Aune Dahl, tel +47 64 81 23 47 or e-mail: tender@osl.no

Car rental: Allocated areas are situated on Arrivals level spanning a total area of approximately 200sq m. For enquiries or registration, contact Commercial Developer Terje Arnesen, tel +47 64 81 23 44 or e-mail: tender@osl.no

Service functions: Travel agency premises, VAT refunding and photo machines have allocated areas on the Departures level with a total area of approximately 60sq m.

Oslo Lufthavn said the choice of partners would be strongly influenced by the bidders' documented commercial experience from other European airports, the company's strength, choice of operational concepts, ability to maintain high quality service, pricing and concession fee. Oslo Airport's passenger traffic totalled 14.9 million in 2004 and 15.9 million last year. 16.5 million passengers are forecast for 2006.

For enquiries or registration, contact Commercial Developer Terje Arnesen, tel +47 64 81 23 44 or e-mail tender@osl.no For overall details contact Oslo Lufthavn AS by e-mail at firmapost@osl.no The website address is <http://www.osl.no>

Note to airports: Our Tender Notice service, consolidated each week in this e-newsletter, is free of charge. Airports can reach every concessionaire in the world instantly and simultaneously. Simply send your details to martin@themoodiereport.com

SINGAPORE. Hong Kong travel retailer King Power Group Duty Free has been awarded the General Merchandise concession at Singapore Changi Airport's new Budget Terminal, which opens next month. The 180sq m store will open on 26 March, the same day the new facility begins operations. The success follows the retailer's recent success in winning the Budget Terminal's confectionery concession. King Power also runs several stores in Changi's established terminals, including confectionery and fashion and leathersgoods stores.

Sunil Tuli, Managing Director Travel Retail at the Antares Cheng-led company, told The Moodie Report: “We believe the new Budget Terminal at Changi to be one of the most important developments in Asia Pacific's fast-evolving aviation industry. The low-cost carrier phenomenon is here to stay and we want to be part of it. The new facility will further strengthen Changi's status as a key Asian hub, and we're delighted to be growing with them.”

THE MOODIE REPORT

FOOD & BEVERAGE AND OTHER COMMERCIAL REVENUES

HONG KONG. SSP, the leading specialist provider of food & beverage to airports worldwide, is to operate five units in the new SkyPlaza terminal at Hong Kong International Airport. Selected brands will include Burger King, Green Cottage – a franchise of a downtown Vietnamese restaurant and Tian Xia Jiao Zi, known locally as ‘Tin Har Chinese Dumplings’.

SkyPlaza will also be SSP's first Asian location to feature a franchise of the award-winning family-run, New York pizzeria Famous Famiglia. A fifth unit will be a bar concept. The contract at SkyPlaza will run for six years with a four-year renewal option. SSP's success at SkyPlaza follows the expansion of its offer in the airport's shopping mall SkyMart, where SSP recently opened three branded concepts; Ben and Jerry's ice cream, Millie's Cookies and Caffè Ritazza. Since SSP started operating at Hong Kong International Airport eight years ago its presence there has grown from three to 24 units.

Due to open in July 2006, SkyPlaza is a multi-modal transport hub, designed to connect transport systems across the region, meeting the needs of the local population, as well as those of domestic and international travellers. "We are delighted to have gained a much sought after presence at the prestigious SkyPlaza Terminal at HKIA," said SSP President – Brands and Marketing Marta del Rio Villanueva. "This win, along with our recent further expansion into Sky-Mart, reinforces our reputation of providing concepts and service that creates a better experience for the travelling public. The addition of Famous Famiglia, Green Cottage and Tian Xia Jiao Zi brands to our ever-growing brand and concept portfolio reflects SSP's goals of delivering both excellent service and value."

US. McDonald's Corp is to invest €2.6 million in opening three airport restaurants at Madrid Barajas and Palma de Mallorca. Spanish airport authority AENA has awarded McDonald's a ten-year contract to operate the three outlets. Two of the restaurants will occupy 400sq m and 450sq m at the new terminal four of Barajas Airport. The third 500sq m area will be at Palma de Mallorca.

THE MOODIE REPORT**SPECIAL REPORT – BAA TAKEOVER TOUTED**

SPAIN/UK. The airports world is humming today following the surprise news that Grupo Ferrovial, Spain's second-biggest construction group, is considering an unsolicited offer for BAA plc, owner of London Heathrow, Gatwick and Stansted airports plus Southampton, Edinburgh, Glasgow and Aberdeen. BAA is the world's largest airport group and one of the biggest travel retailers, owning World Duty Free. London Heathrow Airport is the world's leading duty free location.

The deal is part of the Spanish group's efforts to expand beyond its core construction business. An offer would be in cash and would be likely to be within a consortium, Ferrovial said in a statement today. "Ferrovial's considerations are at a preliminary stage and there is no certainty that any offer will be made," the company said in the statement. "No approach has yet been made to the board of BAA." Shares in BAA surged by +22% to 801 pence on the regulatory news announcement, giving the company a market value of around £8.2 billion (US\$14.3 billion). As we went to press they had eased to 765 pence, up +17.7%.

Airport sector analyst Keith Bowman of Hargreaves Lansdown told BBC Online that Ferrovial's offer had come as "a complete surprise". "What the potential bid again reaffirms is the significance of so called 'strategic assets', as with the current bids for the London Stock Exchange and P&O ports." Ferrovial already has interests in Bristol and Belfast City airports in the UK, Sydney Airport in Australia and Antofagasta Airport in Chile.

After the announcement city attention quickly shifted to identifying other would-be suitors. Fellow European airport groups Fraport and Aéroports de Paris issued statements saying they are not interested in acquiring BAA while Spanish group Abertis, owner of London Luton Airport following its takeover of TBI, said it had no plans to form a consortium with Ferrovial. BAA's ambitious Australian rival Macquarie, perhaps the most closely-watched group of all, declined to comment. Macquarie has established links with Ferrovial as they both hold stakes in Bristol (50:50) and Sydney airports.

Ferrovial is one of the world's leading private-sector developers of transport infrastructure, with committed investment in concession companies' equity that totals over €2.2 billion. This activity is carried on through the development and management of toll roads and parking lots (through Cintra) and airport management.

The company is involved in managing four airports – in the UK (two), Australia and Chile, which handle 35 million passengers per year between them. It is also one of Spain's largest private-sector car park development companies and currently manages 238,000 spaces, mainly in Spain. For the latest developments see www.TheMoodieReport.com

THE MOODIE REPORT**PEOPLE, EVENTS & NOTICES**

INDIA. The first India Duty Free Workshop will take place in Cochin, Kerala on 21–23 February. Organised by Alpha Asia, the event includes a strong and diversified range of subjects embracing airport and inflight retailers, low-cost airlines, airport development and much more. For registration and conference details please contact Chethika Hapugalle by e-mail at chapugalle@alpha-group.com

INTERNATIONAL. The Moodie Report.com has added another key section to its portfolio of free reader services. Our highly popular Travel Retail Web-Wide Index now includes the website addresses of the industry's leading suppliers (more are being added each day) as well as the leading travel shopping locations.

Key service providers from store designers to shop fitters to IT providers, as well as food & beverage concessionaires and others, are being added in coming weeks. Retailers' corporate websites will also be added soon. The new supplier section is neatly divided by main product categories, and each entry is directly linked to the appropriate website. In most cases that is a generic company site but some houses, notably Cadbury Schweppes and Kraft, have customised travel retail sites – something The Moodie Report believes will become a major trend in the future.

Note to suppliers: If your company is not listed in the Travel Retail Web-Wide Index, simply send us your site details and you'll be live in minutes. Just e-mail Martin Moodie at Martin@TheMoodieReport.com

SINGAPORE. Tax Free World Association (TFWA) has announced that **Mike Moore**, former Prime Minister of New Zealand and ex-Director-General of the World Trade Organisation, will be the keynote speaker at the TFWA Asia Pacific Conference on 16 May. Moore will study the impact of Asia on world trade and specifically the increasing importance of China. Moore's term at the WTO coincided with momentous changes in the global economy, including the accession to the WTO of China.

The TFWA Asia Pacific Conference, sponsored by P&G Prestige Products, will open at 9am in the Singapore Suntec Centre. The plenary session will be followed by a choice of three workshops:

Workshop 1: **Targeting the Indian Travel Market**

Workshop 2: **Branding in China**

Workshop 3: **Seizing Opportunity in Asia's Emerging Markets (Vietnam and Thailand)**

An additional workshop aimed specifically at retailers entitled 'Retail: the Latest and Best Ideas that Work' will be hosted by TFWA early on 18 May. Top retail specialists will focus on the fundamentals of running successful travel retail shops, and suggest new ideas to increase store sales and improve management. To coincide with the TFWA Asia Pacific Conference and Exhibition (16–19 May) delegates will also be able to attend the Gate One conference on airport commercial revenues which takes place on 15 May between 9am and 6pm. Previously run in association with Airports Council International, Gate One is now operated solely by TFWA.

UK. P&O is seeking to appoint a Category Manager for what it describes as the 'exciting' sunglasses, watches, jewellery and toys categories. The appointee will work with P&O's Head of Retail to develop and deliver a "best in class" retail proposition to "meet our customer needs and exceed their expectations, whilst maximising the profitability of the retail category". The individual will have total control of purchasing in these categories so should have experience in one or more of them. For more details, including contact points, see our highly-popular Jobs section, half-way down our home page at www.TheMoodieReport.com

UK. Leading newspaper-to-confectionery retailer WHSmith has appointed **Finbarr Casey** as Business Development Director of WHSmith Travel Retail.

Casey has over ten years' experience in travel retail and joins WHSmith from F&B operator Select Service Partner (SSP), where he has held a number of senior roles, including General Manager at Manchester Airport. His most recent position was International Business Development Manager at SSP, playing an integral role in new business tenders and negotiations as well as supporting the firm's developing businesses across Europe and Asia Pacific.

WHSmith Travel Retail Chief Operating Officer David White said: "WHSmith Travel is a growth business and this appointment supports our development plans for the next few years. Fin will play a key role in defining our expansion strategy and I am sure he will add considerable momentum to our growth."

US. The International Association of Airport Duty Free Stores (IAADFS) has said that pre-registration totals for the 2006 IAADFS Duty Free Show of the Americas have risen sharply compared to 2005. Overall registration is up more than +7% as of 2 February and total buyer registration is up almost +8% to date. For full details visit www.iaadfs.org

The association added that it had received very positive responses from exhibitors and attendees for the show, which takes place from 24 to 28 March at the Greater Fort Lauderdale/Broward County Convention Center. The sold-out exhibit hall will contain 221 exhibitors occupying 76,438sq ft of space – a +6.7% increase in occupied space compared to 2005.

Thank you for your readership and support of The Moodie Report.

Martin Moodie, Editor