UBS warning hits European banks

FT.com

1 October 2007 Monday 9:29 AM GMT

Length: 228 words

Byline: Neil Dennis

Body

Europe's banking sector came under selling pressure on Monday after Switzerland's UBS warned of third-quarter losses due to credit market-related write downs.

The FTSE Eurofirst 300 was down 0.5 per cent to 1,543.35 at the open. Frankfurt's Xetra Dax fell 0.4 per cent to 7,834.34, the CAC 40 in Paris lost 0.9 per cent to 5,667.56 and London's FTSE 100 was 0.6 per cent weaker at 6,431.5.

The world's largest wealth manager fell 2.4 per cent to SFr61 in opening trade after reporting losses in its fixed-income portfolio would result in a third-quarter loss of between SFr600-800.

UBS announced the departure of investment bank chief Huw Jenkins and Clive Standish, chief financial officer, as well as the loss of 1,500 other jobs in the division.

Other investment banks were weaker. Credit Suisse, the main domestic rival of UBS, fell 1 per cent to SFr76.60 despite its announcement that it was profitable during the third quarter.

Deutsche Bank fell 2 per cent to 88.60, France's Societe Generale lost 1.8 per cent to 115.65, while Germany's Commerzbank shed 1.7 per cent to 27.91.

Air France-KLM rose 3 per cent to 26.55 after Goldman Sachs added the stock to its conviction buy list with a 30 price target, citing prospects of consolidation in the sector. Ryanair, the Irish budget airline, climbed 1.4 per cent to 5.07, while Deutsche Lufthansa added 1 per cent to 20.40.

Load-Date: October 1, 2007

Bank warnings hits European stocks

FT.com

1 October 2007 Monday 9:52 PM GMT

Length: 570 words

Byline: Neil Dennis and Rachel Morarjee

Body

European stocks ended higher, buoyed by carmakers and banking stocks after UBS rallied on speculation the worst of its subprime related losses might be behind it.

The FTSE Eurofirst 300 rose 0.8 per cent, or 12.31 points, to 1,563.20.

Banking stocks fell in early trade on Monday after two of the world's largest investment banks issued profit warnings but rebounded as the market digested the news.

Switzerland's UBS rose 3 per cent to 64.50 after sliding 2 per cent on opening when it warned of third-quarter losses due to credit market-related write-downs.

The world's largest wealth manager said deficits in its fixed-income portfolio would result in a loss of between SFr600m and SFr800 - its first quarterly loss in nine years.

Dresdner Kleinwort said its worst fears had not been realised and that the immediate implementation of cost-cutting helped - announcing the departure Huw Jenkins, investment bank chief, and Clive Standish, CFO, as well as the loss of 1,500 other jobs in the division.

With shares down nearly 17 per cent on the year, Dresdner said now was the moment to focus on the fundamental value of the stock.

Citigroup of the US said its third-quarter earnings would fall 60 per cent after $3bn in write-downs for securities backed by underperforming mortgages, but traders said the fact that the bad news was now out in the open meant it was possible to guess at the size of exposure, which allayed fears.

Other investment banks also rose. Credit Suisse, the main domestic rival of UBS, increased 1.8 per cent to SFr78.7 on the announcement that it was profitable during the third quarter.

Deutsche Bank, which fell last week amid concerns it would take big write-downs, rebounded 0.9 per cent to 91.18. Merrill Lynch cut its third-quarter earnings estimate by 31 per cent, citing write-downs on leveraged loans and losses on fixed-income trading.

Italy's Banco Popolare rebounded 3.8 per cent to 16.27, recovering from last week's losses, while Germany's Commerzbankrose 1.9 per cent to 28.94.

Air France-KLM was the day's biggest gainer, jumping 6.5 per cent to 27.44 after Goldman Sachs added the stock to its conviction buy list with a 30 price target, citing prospects of consolidation in the sector. Ryanair , the Irish budget airline, climbed 1.1 per cent to 5.05, while Lufthansa added 2.2 per cent to 20.62.

Passenger traffic on international airlines grew in August at its fastest clip since April 2006, according to the International Air Transport Association, up 8.6 per cent in August compared with the same month last year.

Porsche led the auto sector up, rising by 6 per cent to 1580 with Renault of France gaining 4.4 per cent to 106.08 while Peugeot rose 1.24 per cent to 56.60.

Credit Suisse initiated coverage on Renault with an "outperform" rating and a price target of 120, saying the company could buck negative trends for the industry as a whole and outperform rival Peugeot, which was given an "underperform" rating and a price target of 51.

Analyst Stuart Pearson said the impact of upcoming European Commission legislation that wouldl require average CO2 emissions from cars to come in at 120 grams per kilometre by 2012 was "one of the greatest threats to the European industry".

Celesio , the German pharmaceuticals wholesaler, was the day's biggest loser, falling 12.9 per cent to 38.56 after saying on Friday it no longer expected double-digit pre-tax profit growth until 2010.

Load-Date: October 1, 2007

Air Berlin swoops on third airline in a year

FT.com

20 September 2007 Thursday 11:51 PM GMT

FINANCIAL TIMES

Length: 388 words

Byline: Gerrit Wiesmann in Frankfurt

Body

Air Berlin, Europe's third-largest low-cost airline, plans to continue its aggressive expansion drive by taking over the German charter airline Condor in February 2009 provided rival Lufthansa and the cartel office give their blessing.

Thomas Cook, the travel group, said it would swap its 75.1 per cent stake in Condor for just under 30 per cent in Air Berlin and some cash. The deal would be worthbetween 500m and 600m ($704-m$844), depending on Air Berlin's stock price in 17 months' time.

Joachim Hunold, founder and chief executive of Air Berlin, said the company's third deal in just over a year would boost its long-haul routes. The move was vital to the group's survival ina fast-consolidating sector, he said.

But the airline and the travel group have struck the deal without asking Lufthansa, which owns 24.9 per cent of Condor.

Air Berlin has the right to buy Thomas Cook's stake if the latter tries to sell out which it is barred from doing until 2009.

Lufthansa chief executive Wolfgang Mayrhuber would not say on Thursday if the airline would allow its main domestic rival to get bigger. Air Berlin bought DBA, the German budget carrier, last year and charter group LTU in the spring.

Thomas Cook chairman Thomas Middelhoff subsequently threatened to shift the travel company's sizeable charter business to Air Berlin should Lufthansa, which has vowed to exit tourism, decide to block the Condor deal.

In spite of this tension, Thomas Cook hopes to buy Lufthansa's minority stake in Condor in 2009 and sell it on to Air Berlin a year later. That would allow Air Berlin to integrate Condor fully in only about three years' time.

Germany's cartel office cautioned that it would look closely at a deal that would bring the country's two biggest charter carriers, Condor and LTU, under Air Berlin's control.

Air Berlin stock closed practically unchanged at 12.97 in Frankfurt. The shares have lost about a third of their value since the spring, when rising oil prices and worries about demand for budget travel rocked Air Berlin and its rivals Ryanair from Ireland and Easyjet of the UK.

While bigger rivals have responded with cost cuts and plans to reduce capacity over the winter, Air Berlin has been busy integrating DBA and LTU.

It has also added routes, including intercontinental LTU offerings, to secure market share.

Load-Date: September 21, 2007

Aer Lingus refuses to dance to Ryanair's tune on EGM

FT.com

17 September 2007 Monday 10:45 PM GMT

Length: 319 words

Byline: Kevin Done, Aerospace Correspondent

Body

Aer Lingus has rejected the latest attempt by Ryanair to requisition an extraordinary meeting of Aer Lingus shareholders.

The defiant stance in effect leaves Ryanair, Europe's leading low-cost carrier and the biggest Aer Lingus shareholder, with little option but to drop its campaign against its rival or escalate the action by starting legal proceedings.

The latest row between the two carriers started last month, when Ryanair stepped into the political controversy over its rival's decision to withdraw from the route between Shannon in the west of Ireland and London Heathrow. It called for the EGM in an attempt to overturn the decision and influence other route changes.

Aer Lingus said Ryanair was seeking to "interfere with and frustrate the commercial and operational performance" of the group. It had received "strong legal advice" that Ryanair's proposed EGM resolution would result in an infringement of European and Irish competition law.

John Sharman, Aer Lingus chairman, said the airline would "act in accordance with the law and will not dance to the tune of our competitor".

He said Aer Lingus would not be "deflected by the self-serving agenda of a competitor with whom we fight tooth and nail for business every single day."

Ryanair said last night it had received the Aer Lingus statement and was "considering its contents".

Aer Lingus refuses to dance to Ryanair 's tune on EGM

Aer Lingus last year defeated a hostile takeover bid by Ryanair, which in recent weeks has built up its stake in Aer Lingus to 29.4 per cent, overtaking the Irish government.

It has previously rejected Aer Lingus's claim that its EGM proposal would breach competition law as "absurd."

Jim Callaghan, Ryanair company secretary, said two weeks ago that the Aer Lingus board had "no legal right" to reject Ryanair's request for an EGM given that it held a stake of more than 10 per cent. Ryanair said then that it would prefer to resolve the issue without recourse to the courts.

Load-Date: September 17, 2007

Asian airlines warm to mobiles in cabins

FT.com

7 September 2007 Friday 4:26 AM GMT

FINANCIAL TIMES

Length: 611 words

Byline: Raphael Minder and Mark Odell

Body

The small band of companies looking to bring mobile telephony to aircraft cabins received a boost this week when the first airlines from two of the world's fastest growing air travel markets signalled their intent to test the technology.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

Kingfisher Airlines, one of India's most ambitious startups, and China's Shenzhen Airlines are both looking to pioneer the nascent technology in their respective markets, joining a growing list of carriers around the globe.

The industry is torn over whether passengers will welcome the use of mobiles onboard, in part because of the expensive failure of the attempt to introduce fixed seat-back phones in the late 1990s. Extortionate call charges put customers off.

The US airlines industry has been forced to take a back seat with the technology so far failing to receive regulatory approval.

In Europe, where mobile phone usage is more developed than in the US, Ryanair is aiming to become the first airline to introduce the service across its fleet. Other carriers, such as Air France, are waiting to start trials.

Some analysts believe that Asia is the region where the technology will receive the warmest welcome. "This is clearly a region that loves all that is new in consumer electronics," says Jim Eckes, an aviation consultant.

Providers of the technology recognise that in-flight telephone conversations face a "social etiquette" issue. But Peter Tuggey, chief commercial officer for AeroMobile, a partnership between Telenor of Norway and Arinc of the US, also stresses that higher ambient noise on an aircraft means that conversations are in any case much harder to overhear than on a train. Further, each airline can adapt the system to its needs notably by switching the system off during night flying.

Qantas, the Australian carrier, for example, is testing the AeroMobile system only for Blackberry and text message usage and may decide to keep phone conversations off-limits.

In light of the failed, seat-back phone experiment, the other consideration is whether in-flight phoning will prove profitable. The technology costs about $200,000 to install per aircraft. But Graham Lake, chief commercial officer at OnAir, a company partly owned by Airbus and a competitor of AeroMobile, forecast that revenues from a plane fitted up could range from $10,000 to $60,000 a month.

Still, many airline executives suggest they will wait to see how passengers react when flying with pioneers such as Kingfisher.

Tony Tyler, chief executive of Cathay Pacific, says the carrier was still "some way away" from using mobiles : "If you're talking to passengers, it doesn't seem that they want it. But if it was there, people would use it."

....

Slow progress to in-flight use of mobile phones

By Kevin Done, Aerospace Correspondent

Benoit Debains, chief executive of OnAir, a joint venture between Sita and Airbus, said on Thursday that the first commercial trial of its system could begin on board an Air France A318, around the turn of the year.

The A318 is the only aircraft certified by the European Aviation Safety Authority so far. All other aircraft types will need similar clearance: Ryanair is aiming to get EASA approval for the Boeing 737-800. But before any airline services can start, both national aviation and telecom regulators must also give the go-ahead.

The UK's BMI and Portugal's TAP will also plan trials early next year.

Mr Debains said in-flight use of mobiles would only be allowed above 10,000ft, with users charged at international roaming rates.

Load-Date: September 7, 2007

Tour groups lose court fight on air duty

FT.com

5 September 2007 Wednesday 10:16 AM GMT

Length: 368 words

Byline: Roger Blitz, Leisure Industries Correspondent

Body

Tour operators who opposed Gordon Brown's decision to double air passenger duty (APD) last year failed in a High Court challenge to the move on Tuesday.

The increase announced by the then chancellor in his pre-Budget report last December as a measure to help combat climate change is alleged to have cost the industry GBP50m since it came into effect in February.

The Federation of Tour Operators (FTO), together with Tui and Kuoni, two of its members, pointed out they had no warning of the increase, meaning they could not pass it on to customers already booked to fly.

They argued that APD represented a breach of human rights and international civil aviation law. The increase has pushed up APD on short-haul flights leaving the UK from GBP5 to GBP10 per economy-class passenger. On long-haul flights, APD has risen to GBP40 for economy and GBP80 for business class.

Mr Brown's move brought about sustained publicity campaigns by airlines and tour operators, led by Michael O'Leary's Ryanair.

Mr Justice Stanley Burnton ruled that APD was a lawful charge and that the government was entitled to increase it.

He said he had "some sympathy" with the tour operators. He criticised the Treasury's decision-making process, saying that package travel regulations had been ignored. But he concluded there was no legal basis for the High Court challenge.

The judge said: "The claimants have not established any of their grounds for challenging APD or its increase." However, the FTO and others had "emphatically" brought to the government's attention the impact of APD, he added, saying the decision to impose the increase was made regardless of the effect. The FTO was refused permission to appeal but can still ask the Court of Appeal directly to consider its case.

The FTO said it was disappointed at the outcome, but added: "There are wider potential international ramifications of the judgment, and these and other aspects will be considered as the FTO seeks advice on its grounds for possible appeal."

Andy Cooper of the FTO said the implication of the ruling would have a bearing on US-EU talks over whether aviation should be included in Europe's carbon emissions trading scheme something the US is resisting.

Load-Date: September 5, 2007

Phones on a plane

FT.com

5 September 2007 Wednesday 8:05 PM GMT

FINANCIAL TIMES

Length: 375 words

Body

"I'm on the train" became the phrase that summed up inflicting banal mobile phone conversations on fellow passengers. Now, if some airlines have their way, "I'm on the plane" will follow.

Kingfisher Airlines, an Indian low-cost carrier, yesterday became the latest operator to say it will introduce in-flight mobile phone use. Airlines such as Air-Asia, south-east Asia's biggest low-cost carrier, and European no-frills operator Ryanair are already committed to allowing mobile phoning in the air. Other airlines are testing the use of text messaging and BlackBerrying.

This prospect is seriously unappealing. The traveller who currently enjoys the enforced unavailability that comes with flying will not be grateful for the removal of this haven from the telephonic demands of work or family or both. In a busy existence, being uncontactable for set periods can be a significant benefit. And for every passenger who relishes the chance to make a call, there will be several others who resent having to listen to irritating ringtones and personal details within the cramped confines of the aircraft cabin. Flying already contains enough triggers for air rage.

Of course, some of these points can be addressed. Passengers could be asked to put their phones to vibrate so they do not disturb neighbours when receiving a call or text. Pilots will control the service and are likely to switch to "silent mode" during night flying to minimise nuisance to those who want to sleep.

In response to social concerns, airlines might segregate the cabin, creating "mobile phone use" and "quiet" areas. When they checked in, passengers could specify where they wanted to sit. This would doubtless please the low-cost carriers who are at the forefront of moves to bring mobile usage on board. They could charge some passengers a premium for being able to phone, while others would be happy to pay extra not to have to hear other people's calls.

Fortunately, the desire to chat on the phone to family, friends and colleagues at 35,000ft has its limits. Using handsets fixed in the cabin has not caught on as expected, because it is so expensive. So far, a successful business model for making phone calls in the air has proved elusive. Let us hope it continues to do so.

Load-Date: September 5, 2007

Kingfisher to allow in-flight mobile calls

FT.com

5 September 2007 Wednesday 10:21 PM GMT

Length: 329 words

Byline: Raphael Minder in Hong Kong

Body

Kingfisher Airlines, the Indian low-cost carrier, on Wednesday said it would introduce in-flight mobile phone capability, underlining the increasing interest in the technology.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

Kingfisher will initially fit the technology on 10 of its aircraft, but is looking to expand the offering to its entire fleet of 158 aircraft. From next year, passengers will be able to use web chat and web mail, with mobile phoning and full internet access available in 2009.

The push to introduce the technology appears to have reached a turning point. Ryanair, the European low-cost airline, is this week fitting out its first aircraft, as part of a plan to extend it to the rest of its fleet. Meanwhile, Shenzhen Airlines, a Chinese carrier, announced on Monday that it would introduce the capability in an effort to lure more business travellers.

In-flight mobile phones are being led by two companies. OnAir, which is partly owned by Airbus and signed the deal with Kingfisher, is competing against Aero-Mobile, which is owned by Arinc of the US and Telenor of Norway. AeroMobile is working with Panasonic, the Japanese electronics group.

OnAir had a European breakthrough in June when its technology was cleared by the European Aviation Safety Agency. US regulators, however, have refused to allow any in-flight mobile phone technology.

AeroMobile expects to announce soon another four airline deals, three of them in the Asia-Pacific region.

Peter Tuggey, AeroMobile's chief commercial officer, said the growing order book reflected Asians' embrace of new consumer electronics technology as well as their more relaxed attitude to phoning in public.

He said: "We're seeing a lot of interest in Asia. If you look at the way mobile phones are used, Asians are generally using them in very densely populated areas, so the social concerns are perhaps handled in a different way."

Load-Date: September 5, 2007

Ryanair requisitions Aer Lingus EGM

FT.com

4 September 2007 Tuesday 6:16 PM GMT

Length: 366 words

Byline: Kevin Done, Aerospace Correspondent

Body

The battle between the two Irish airlines Ryanair and Aer Lingus escalated on Tuesday, as Ryanair formally requisitioned an extraordinary meeting of Aer Lingus shareholders.

Aer Lingus, which last year defeated a hostile takeover bid by Europe's leading low cost carrier, last week rejected Ryanair's original call for an extraordinary general meeting (EGM) on the grounds that the resolutions proposed by Ryanair would result in a breach of European and Irish competition law.

Ryanair said the competition claim was "absurd", but it nonetheless changed the terms of the resolutions in order to focus on what it claimed had been a "collapse" in Aer Lingus' profits.

In recent weeks Ryanair has built up its stake in Aer Lingus to 29.4 per cent and has overtaken the Irish government to become the biggest shareholder.

Last month it stepped into the political controversy over its rival's decision to withdraw from the route between Shannon in the west of Ireland and London Heathrow and called for the EGM in an attempt to overturn the decision and to influence other route changes.

In its requisition notice on Tuesday Ryanair proposed that, "in view of the recently announced 58 per cent decline" in Aer Lingus profits in the first half of the year, the directors should act to preserve the "existing profitable Shannon-Heathrow services" and should explore the further 4m of cost reductions identified by Shannon airport.

In a letter to John Sharman, Aer Lingus chairman, Jim Callaghan, Ryanair company secretary, said the Aer Lingus board had "no legal right" to reject Ryanair's request for an EGM given that Ryanair held a stake of more than 10 per cent.

He said the proposed resolution was "immune from any suggestion of anti-competitive behavoiur" as it sought to maintain and promote competition between Ryanair and Aer Lingus in the Shannon-London market.

Ryanair said it would prefer to resolve the issue without recourse to the courts by Aer Lingus calling the EGM, but it warned that it could also call the EGM itself or it could start legal proceedings against Aer Lingus and the directors for "this unlawful rejection of a legally valid EGM request".

Aer Lingus declined to comment on Tuesday.

Load-Date: September 4, 2007

Aer Lingus rejects Ryanair call for EGM

FT.com

1 September 2007 Saturday 12:55 AM GMT

Length: 222 words

Byline: Kevin Done, Aerospace Correspondent

Body

Aer Lingus on Friday officially rejected the call by Ryanair, its biggest shareholder, for an extraordinary shareholders meeting, further deepening the conflict between the two Irish airlines.

Aer Lingus, which last year defeated a hostile takeover bid by Ryanair, Europe's leading low-cost carrier, said the resolutions proposed by Ryanair would result in a breach of European and Irish competition law.

Ryanair has built a 29.4 per cent stake in Aer Lingus.

It recently stepped into the political controversy over its rival's decision to withdraw from the route between Shannon in the west of Ireland and London Heathrow and called for the extraordinary general meeting in an attempt to overturn the decision and to influence other route changes.

John Sharman, Aer Lingus chairman, said Ryanair's proposed resolutions were "clearly self-serving" and were "motivated by their own commercial interests".

Its bid to take over Aer Lingus had been prohibited by the European Commission on competition grounds, said Mr Sharman, and Ryanair was "now seeking to circumvent this decision by exerting influence on Aer Lingus through its minority shareholding".

He said the Aer Lingus board had received legal advice, that it would be in breach of its fiduciary duties to call an EGM to consider the proposed resolutions.

Ryanair refused to comment.

Load-Date: September 1, 2007

Aer Lingus renews attack on Ryanair

FT.com

30 August 2007 Thursday 3:15 PM GMT

Length: 706 words

Byline: Kevin Done, Aerospace Correspondent

Body

Aer Lingus intensified its conflict with Ryanair, its leading shareholder, on Thursday and said that actions its rival was proposing to Aer Lingus shareholders were "anti-competitive" and would "destroy shareholder value".

Aer Lingus, which reported lower profits for the first half, fought off a takeover bid last year from Europe's leading budget airline, but earlier this month Ryanair increased its stake to 29.4 per cent strengthening its call for an extraordinary meeting of Aer Lingus shareholders.

Ryanair is seeking to block Aer Lingus's proposal to withdraw of its service from Shannon to London Heathrow and instead use the Heathrow landing slots for a service from its new operating base at Belfast International airport.

Greg O'Sullivan, Aer Lingus chief financial officer, said the airline was taking legal advice on Ryanair's reuqest for an EGM, which raised "serious competition issues." Ryanair, its biggest competitor, was seeking to influence how it used its aircraft and its route network, he said. Aer Lingus said it would respond to shareholders early next week.

The Aer Lingus move to abandon the Shannon/Heathrow route has provoked fierce opposition in the west of Ireland from business and trade union interests, and has become a severe political embarrassment for the Irish government, which remains the second largest shareholder in Aer Lingus with a stake of 25.4 per cent.

Ministers have expressed disappointment at the move but have ruled out interfering in commercial decisions.

The Ryanair takeover bid was blocked by European competition authorities in June. Aer Lingus disclosed on Thursday, that it had run up costs of 7.8m in the first half of the year opposing the bid in addition to costs of 16.2m incurred in the second half of 2006.

Aer Lingus renews attack on Ryanair

The airline said the recent threat of a two-day strike by its 480 pilots in protest at the pay and conditions being proposed for new pilots to be recruited at its Belfast base had cost 3.5m this month. The strike was narrowly avoided but not before contingency measures had been put in place. Some flights were still cancelled.

The two sides are due to hold more talks at the Labour Relations Commission on Friday to resolve the dispute, but the airline warned on Thursday that the outlook for the industrial action was "not yet clear."

The group faces tough labour relations issues, as it seeks to implement a cost-cutting programme aimed at making savings of 20m a year by 2008, at the same as undertaking the most ambitious expansion in its history in the wake of its privatisation last autumn and an initial public offering.

It is increasing capacity by 14 per cent this year as it takes delivery of new short-haul and long-haul aircraft and a similar rise is expected in 2008.

After staving off the attempted Ryanair takeover, it is under pressure to show that it can improve its profitability, while remaining independent.

Ryanair is also stepping up the commercial challenge to Aer Lingus with a big expansion from its Dublin base, Aer Lingus said Ryanair accounted for most of the 45 per cent increase in capacity by rivals on routes from Ireland to continental Europe in the first half of the year.

Dermot Mannion, Aer Lingus chief executive, said on Thursday: "We continue to operate in a highly competitive environment, where a continuing and unrelenting focus on cost reduction, efficiency and change is necessary for our success."

The airline said that its operating profit, before employee profit share, had fallen in the first six months of the year from 10.6m to 2.6m (GBP1.76m), despite a 12.9 per cent increase in revenues from 508.3m to 574.1m. Underlying pre-tax profits fell from 19.8m to 11.5m.

Profits came under pressure in the first half from higher fuel and staff costs as well as rising airport charges and maintenance costs.

The airline achieves the majority of its profits in the second half of the year, and Mr Mannion said "early indications of our performance in the second six months of the year are encouraging."

He confirmed the group's full-year guidance that trading was "in line with expectations for mid-teen operating profit growth," adding that the underlying performance to the end of July "remained strong and in line with that guidance."

Load-Date: August 30, 2007

Ryanair suspends Chaleroi flights

FT.com

22 August 2007 Wednesday 6:31 PM GMT

Length: 333 words

Byline: Kevin Done in London and Sarah Laitner and Andrew Bounds in Brussels

Body

Ryanair, Europe's leading low cost airline, said on Wednesday, that it had suspended taking bookings from November 12 for flights to and from Brussels-Charleroi, one of its network of operating bases in continental Europe, in a growing dispute with the airport.

It said that "a number of issues" remained outstanding in the wake of a wildcat strike by security staff, which closed the airport over the weekend of June 15-17 forcing the cancellation of flights affecting more than 22,500 of its passengers.

The airline said it was determined to ensure that flights were not cancelled again. "There must be an effective contingency plan in place to keep this international airport open and operational even if some staff wish to engage in wildcat strikes in the future."

If the problems were addressed, it was "hopeful" the flights could be put back on sale "shortly." Flights in August, September and October would not be affected.

Ryanair flies 21 routes to and from Charleroi and has four aircraft based at the airport, where it is by far the leading operator.

Its presence generates many jobs in the southern Belgian city where unemployment is high.

Andre Antoine, transport minister for the regional government of Wallonia, told Belgian media on Wednesday, "I am a bit surprised by their [the airline's] attitude...because we have a fertile and successful relationship with Ryanair."

The CNE trade union said that it was out of the question to limit the right to strike.

The managing director of Charleroi airport was reported to be returning from holiday to meet Michael O'Leary, chief executive of Ryanair, in Dublin.

A spokesman for the Belgian airport added: "We have increased our contacts and initiatives to find a quick and favourable response to the demands of Ryanair."

Brussels Airlines, a fierce local rival in the Belgian market, took advantage of the dispute to offer a fire sale of 150,000 cheap tickets for flights from November 12 to ten European destinations from its hub in Brussels.

Load-Date: August 22, 2007

M&A revival boosts OMX and SalusAnsvar

FT.com

20 August 2007 Monday 8:01 PM GMT

FINANCIAL TIMES

Length: 563 words

Byline: Neil Dennis

Body

European equity markets enjoyed a second successive session of gains on Monday as merger-and-acquisition activity picked up.

August has been a barren month for M&A, not least because of recent financial market turbulence.

OMX, the Nordic stock market operator, gained 2.2 per cent to SKr237 as the prospect of a bidding war escalated.

Borse Dubai last week offered SKr230 a share for OMX, trumping an existing SKr208-a-share bid from US exchange Nasdaq, which the Swedish company had recommended to shareholders.

Nasdaq said on Monday, however, that it was considering selling its 31 per cent stake in London Stock Exchange to fund a share buy-back.

Such a move would help lift Nasdaq's share price and would boost the value of the stock portion of its bid for OMX currently 54 per cent of the offer.

Meanwhile, Investor, the Swedish investment group that owns 10.7 per cent of OMX, said Borse Dubai's offer was "not sufficiently attractive" given the synergies it expected from a deal with Nasdaq.

Johannes Thormann, at WestLB, said: "This is a hostile offer [from Borse Dubai] and there will be resistance from OMX management, major shareholders and the Swedish government. Ultimately, wait and see how Nasdaq reacts this week."

Heightened activity in the sector lifted Deutsche Borse's shares 3.5 per cent to 79.70.

M&A revival boosts OMX and SalusAnsvar

Swedish financial services company SalusAnsvar leapt 50.7 per cent to SKr33.60 after Norwegian bank DnB NOR offered SKr35 a share, valuing it at SKr749m and representing a premium of 57 per cent over Friday's closing price.

Although most strategists considered the offer "generous", DnB NOR shares added 1.5 per cent to NKr80.

Shares in Aer Lingus, the Irish airline, rose 1.2 per cent to 2.45 after domestic rival Ryanair said it had acquired a further 4 per cent, taking its total stake to 29.4 per cent. Ryanair, which climbed 1.6 per cent to 5.01, said it bought the shares at or at less than 2.45 each.

The FTSE Eurofirst 300 finished well off its session highs after a lacklustre morning on Wall Street but managed a gain of 0.6 per cent to 1,481.90.

Although financial services stocks were generally higher, Greek banks with holdings in Turkey were traded cautiously as Turkish presidential elections entered the first round and investors priced in political instability.

National Bank of Greece, majority owner of Turkey's Finansbank, fell 1 per cent to 40.40.

The biggest gainers were mining and metals groups as commodity prices rallied. Norsk Hydro, the Norwegian aluminium producer, gained 2.5 per cent to NKr207.50.

Steelmakers followed their Asian peers higher. Paris-listed Arcelor Mittal rose 3.4 per cent to 41.28 while Germany's Salzgitter climbed 2 per cent to 126.59.

Novo Nordisk, the Danish drugmaker, rose 6.2 per cent to DKr602 after reporting positive results in trials for its Liraglutide diabetes treatment. The company said it hoped to file the drug for approval next year.

Vestas Wind Systems, the Danish wind turbine manufacturer, was the biggest gainer on the Eurofirst 300.

Shares rose 6.4 per cent to DKr323.50 as investors bought back shares, which were sold last week, on hopes of strong second-quarter results, due today.

On Wednesday and Thursday, Vestas shares fell 13 per cent as profit was taken. The shares are more than 35 per cent higher on the year.

Renewable Energy, the Norwegian solar panel maker, climbed 3.1 per cent to NKr200.25.

Load-Date: August 20, 2007

Ryanair increases Aer Lingus holding

FT.com

20 August 2007 Monday 11:28 PM GMT

FINANCIAL TIMES

Length: 191 words

Byline: Kevin Done in London

Body

Ryanair has raised its stake in Aer Lingus, its smaller Irish rival, to more than 29 per cent, making it the biggest shareholder ahead of the Irish government.

Europe's leading low-cost carrier is prohibited from making another full take-over bid for Aer Lingus following the decision by European competition authorities in late June to block its original offer made last year.

Ryanair is expected to file an appeal shortly to the European Court of First Instance against the competition authorities' decision.

The blocking of a full bid has not deterred Ryanair from taking advantage of the recent fall in the Aer Lingus share price to take it close to the maximum 29.9 per cent threshold allowed before a full takeover bid would normally be triggered.

Ryanair said on Monday night that it had acquired a further 4 per cent stake in Aer Lingus, taking its holding from 25.17 per cent to 29.4 per cent.

In a statement to the Irish and London stock exchanges Ryanair said the new shares had been acquired at, or less than, 2.45.

Chris Avery, aviation analyst at JPMorgan, said: "To continue buying, after the EC has given a negative opinion, lacks logic."

Load-Date: August 20, 2007

Ryanair seeks Aer Lingus meeting

FT.com

14 August 2007 Tuesday 7:55 PM GMT

Length: 395 words

Byline: Kevin Done in London

Body

Ryanair waded into the growing controversy surrounding the development of Aer Lingus, its smaller rival, on Tuesday by calling for an extraordinary meeting of Aer Lingus shareholders.

Ryanair was thwarted in its attempt last year to take over Aer Lingus, but it has retained the 25.2 per cent stake it acquired during the bid process and which almost matches the holding of the Irish state, the biggest single shareholder.

The low-cost carrier is seeking to use its stake to block the Aer Lingus management's decision to end services between Shannon in the west of Ireland and London Heathrow in January.

The Ryanair move comes at a highly sensitive moment for Aer Lingus, which is already facing a two-day strike by its 480 pilots next week in protest at the pay and conditions it is proposing to offer to pilots at its new Belfast International airport base.

Ryanair's demand for a shareholders' meeting also puts the Irish government and trades unions in an embarrassing situation.

The government holds a 25.4 per cent stake in the former state-owned carrier and it fiercely opposed the Ryanair takeover bid last year, as did the unions and employees, which hold together about 16.7 per cent.

The government is facing growing political pressure in particular from business interests in the west of Ireland and from trades unions to intervene to try to reverse Aer Lingus's decision to end the Shannon-Heathrow service and instead to use the Heathrow take-off and landing slots to launch a service to Belfast as part of its plan to open an operating base at Belfast International airport.

Ryanair has been a fierce critic of the Irish government's aviation policy and also fought to avoid union representation of its own workforce.

But on Tuesday Michael O'Leary, the airline's chief executive, offered to form an alliance with both the government and the unions to oppose the Aer Lingus management at a shareholders' meeting.

Mr O'Leary said: "It is surprising that neither the government nor the trades unions, both of whom own over 10 per cent [of Aer Lingus] have taken up Ryanair's previous offer to work together or called for an EGM to be held."

Ryanair said if the Aer Lingus decision was not reversed, it would introduce three additional daily flights between Shannon and London, a fourth daily to Stansted, a second daily service to Gatwick and a daily flight to Luton.

Load-Date: August 14, 2007

Aer Lingus goes for peace dividend

FT.com

12 August 2007 Sunday 3:55 PM GMT

FINANCIAL TIMES

Length: 541 words

Byline: John Murray Brown

Body

The recent decision by Aer Lingus to end its Shannon to Heathrow service and make Belfast its first non-Irish hub has triggered what some observers believe will be one of many commercial squabbles over the spoils of peace in Northern Ireland.

Efforts to foster an all- island economy one of the aims of the peace process have already met roadblocks in the energy area.

Viridian, the former Northern Ireland electricity company taken private last year by Arcapita, a Gulf-based investment company, has more than once complained at the market dominance of the Electricity Supply Board, the Republic of Ireland's state-owned power utility.

The Irish government has pledged about 400m (GBP271m) to build roads and other infrastructure in Northern Ireland, in support of the peace process.

Northern politicians are looking to see if there is any favouritism shown to southern companies when Dublin comes to awards those contracts.

However, the airline's decision, announced last Wednesday, is the most significant economic endorsement of the political changes that have taken place, with the end of paramilitary violence and the setting up of a new power-sharing administration.

Belfast International Airport at Aldegrove was chosen ahead of Birmingham.

Aer Lingus goes for peace dividend

The announcement is an early sign the newly-privatised airline company is ready to ignore local political fall-out when taking decisions it considers in its commercial interest.

Ian Paisley, the hardline protestant politician who heads the four-party executive at Stormont as first minister alongside Martin McGuinness, a former IRA commander, hailed the decision by Aer Lingus as "a shining example of howcompetitive our economy is becoming".

Reaction south of the border was in sharp contrast with local politicians, trade union leaders and Michael O'Leary, chief executive of Ryanair, who last year mounted an unsuccessful takeover bid for Aer Lingus, all criticising the Irish government for failing to protect the Shannon service.

Aer Lingus conducted a successful initial public offering last year, with the Dublin government retaining a 25 per cent stake.

At the time of the IPO, Brian Cowen, finance minister, justified the continued government shareholding as a way of protecting landing slots that Aer Lingus owned at Heathrow and which government officials in Dublin long considered essential props for Ireland's trade effort.

Under the Belfast deal just announced, Aer Lingus is ending its Shannon to Heathrow service and using the slots instead for a newBelfast route.

This will be the first time Belfast International Airport has had a service to Heathrow since BA pulled out in 2001.

BA's move was in direct response to the impact of the September 11 terrorist attacks on New York and Washington, although many observers believed BA had long been looking for a pretext to shut down what for it was a lossmaking route.

Philip O'Sullivan, economist with Goodbody stockbrokers in Dublin, is confident Aer Lingus will not suffer the same fate.

"With the changed political situation in Northern Ireland, Aer Lingus is in a good position to make a Belfast route pay. With the growing congestion at Dublin airport, many travellers will now choose Belfast to make international flights," he forecast.

Load-Date: August 12, 2007

Misleading budget airline pricing targeted

FT.com

10 August 2007 Friday 9:47 PM GMT

FINANCIAL TIMES

Length: 412 words

Byline: Michael Peel and Chris Bryant

Body

Budget airlines face a crackdown in the UK over potentially misleading ticket pricing, in an attempt by competition watchdogs to stop them advertising flights for pennies when the true cost is many pounds.

The Office of Fair Trading has ordered 13 airlines including Ryanair, AerLingus and easyJet to change their advertisement and website prices to include fixed, non-optional costs, such as taxes.

The action by the OFT is the latest stage of a six-month campaign to make airlines reveal the true cost of tickets.

The Air Transport Users Council, a passenger watchdog group, welcomed the clampdown, but said it should have come much sooner.

"We actually tried to get the OFT to do some work on this three years ago," James Fremantle, AUC industry affairs manager, said. "At the time they said they couldn't do anything it was perfectly legal."

The OFT said on Thursday that 11 of the 13 airlines it targeted had already changed their websites, while Aer Lingus and Ryanair had altered their homepages and pledged to update website booking processes later.

In the interim period, Ryanair had agreed to place a clear statement on its website to inform consumers how much the taxes and charges would add to the final price.

Sean Williams, OFT executive director, said the organisation was committed to ensure travellers were not misled by advertised prices that bore little relation to actual charges.

"Misleading pricing not only undermines consumer confidence but also distorts competition and we will enforce the law enthusiastically where we find that consumers have been misled," he said.

The OFT first announced its clampdown in February, when it quoted the example of a flight from Britain to Barcelona that was advertised at GBP19.99 but cost more than double that once all fixed non-optional costs were included.

Passenger groups say many travellers assume fees and charges are the same on all airlines.

Many even think all except government-imposed taxes are variable.

EasyJet welcomed the OFT's action, and claimed it had long called for industry-wide all-inclusive pricing.

"We didn't move independently as it would have disadvantaged us," a spokesperson said. "We're glad everyone is on a level playing field now."

But it seems that some airline industry habits die hard even in the era of transparency heralded by the OFT.

Aer Lingus said it would complete an overhaul of its website by the end of September but a would apply the OFT ruling only to bookings in the UK.

Load-Date: August 10, 2007

Heathrow snubbed as BAA traffic swells

FT.com

8 August 2007 Wednesday 6:45 PM GMT

FINANCIAL TIMES

Length: 363 words

Byline: Bob Sherwood, London and South-East Correspondent

Body

BAA, the much-criticised airports operator, experienced its busiest ever-month in July, handling 15.1m passengers at its seven UK airports.

However, even though holidaymakers swelled BAA's monthly figures, the number of passengers using Heathrow fell again, dropping by 1.7 per cent compared with the same month last year.

The figures show a trend of passengers switching away from Heathrow as they seek to avoid the delays caused by strict security rules and cramped conditions. More than 66.8m passengers used Heathrow in the year from August 2006 to July 2007, a fall of 1.6 per cent.

BAA, which is majority owned by Ferrovial, the Spanish construction and infrastructure group, said Heathrow was, in effect, running at full capacity and so passenger figures would not rise until capacity was increased. But restrictions allowing only one piece of hand luggage were also having an effect.

It added: "We have seen some people choosing 'to hub' through other European airports because of the one-bag rule."

Jim Fitzpatrick, the aviation minister, told the FT this week that the one-bag rule could be lifted by November should a trial at Heathrow prove successful.

Heathrow's reputation has suffered following high-profile criticism from business leaders and politicians. Michael Ryan, the chief executive of Ryanair, also recently criticised the "third-rate service" at Stansted.

The record passenger traffic comes after falls in total passenger numbers in June and April and only a marginal rise in May, which had been seen as lending weight to fears that rising interest rates and increases in air passenger duty had slowed demand for air travel.

Passenger numbers were up 1.8 per cent at Gatwick and 2.2 per cent at Stansted, following an increase in the number of routes available from both airports.

Aberdeen and Edinburgh recorded gains of 10.6 per cent and 6.3 per cent. But 6.4 per cent fewer passengers used Glasgow airport, where there was a terrorist attack at the end of June.

The Competition Commission is expected to announce the scope of its investigation into BAA on Thursday, with areas under examination including its near-monopoly in London and the regulatory framework.

Load-Date: August 8, 2007

Shipping boom gives Inmarsat record revenues

FT.com

8 August 2007 Wednesday 6:49 AM GMT

Length: 367 words

Byline: Maija Palmer in London

Body

Inmarsat announced record revenues and profits for the first half of 2007 as a global boom in shipping led to increased orders for the company's satellite communications equipment.

UK-based Inmarsat's satellite technology is used to provide telephone, fax and internet communications on ships and it is mandatory under international law for ships over a certain tonnage to use the company's reporting systems.

"World trade is booming and there are many more ships out at sea. Also, there is demand for more data communications, with ships becoming nodes on corporate networks, constantly reporting on progress," said Andrew Sukawaty, chief executive.

He said typical growth in the maritime sector was 1-2 per cent but, for the six months to the end of June, revenues increased more than 12 per cent to $158.3m.

Inmarsat is also benefiting as more and more airlines use satellite communications technology to offer passengers inflight calls and web access

Ryanair, Emirates and AirAsia have all recently launched such services. Air France is planning to start trials before the end of the year. Inmarsat's aeronautical business grew nearly 45 per cent to $20.8m in the first half.

Sales of land-based satellite systems increased nearly 10 per cent as news organisations, such as the BBC, and oil and gas exploration companies in remote areas adopted Inmarsat's recently launched portable satellite broadband equipment.

This expansion is offsetting a fall in revenues from voice calls due to decreasing use of Inmarsat's systems by the US army in Iraq.

The company also said it was bringing forward to March or April the launch of its third I-4 satellite, which will allow much higher speeds of data communications.

Overall revenues increased 15.6 per cent to $284.2m with pre-tax profits up 63.7 per cent at $77.9m.

Mr Sukawaty said the strong interim results had led the company to increase its expectations for the full year. It had previously expected revenue growth of about 8 per cent.

Earnings per share doubled to 14 cents and the company lifted its interim dividend by 8.3 per cent to 11.55 cents.

Shares in Inmarsat, which have increased more than 30 per cent in value over the past year, were up 6p at 420p.

Load-Date: August 8, 2007

EasyJet's profit growth remains on course

FT.com

7 August 2007 Tuesday 6:47 PM GMT

Length: 363 words

Byline: Chris Bryant in London

Body

EasyJet has maintained its profit growth forecast for the year in spite of a third-quarter decline in average revenue per seat raising hopes of the low-cost airline entering calmer skies after some turbulent months.

The company continues to expect pre-tax profit growth of 40-50 per cent for the year to September 30, although it reiterated guidance that revenue per seat would decline by 5-10 per cent in the second half of the year.

Greater competition and falling demand for low-cost air travel has forced EasyJet to cut fares and add routes. In May, the airline repeated a warning that it would see pressure on average fare levels during the summer months, raising concerns about its profit guidance.

Low-cost rival Ryanair has also warned of falling passenger yields and increasing costs. It has forecast a rise of just 5 per cent in profitability this year.

Shares in EasyJet fell almost 30 per cent between May and the end of July; Ryanair lost 14 per cent.

Chris Avery, an analyst at JP Morgan, said Ryanair's profit outlook had not helped its rival. "EasyJet wouldn't have gone down so much if it wasn't for Ryanair's rhetoric," he said.

EasyJet's shares yesterday climbed 6.7 per cent to 542lp, their highest level since mid-June.

Total revenue per seat declined 8 per cent to GBP41.46 in the three months to June 30 and average aircraft occupancy slipped from 86 per cent to 84 per cent.

But passenger numbers increased by 13 per cent to 9.9m and overall revenues were 5.7 per cent higher at GBP486.5m.

The airline blamed reduced "lead in" fares, an increase in promotional activity and a rise in Air Passenger Duty for the decline in seat revenue.

EasyJet said the strength of sterling had helped reduce unit costs, which, excluding fuel, were more than 10 per cent lower against the same period last year.

"The fact that they can maintain their guidance in such a turbulent revenue environment indicates their costs are going nicely," said Andrew Lobbenberg, an aviation analyst at ABN Amro.

EasyJet also announced data on passenger numbers for July. The total increased by 17.5 per cent to 3,723,000 while average cabin occupancy slipped 1.8 percentage points to 88.6 per cent.

Load-Date: August 7, 2007

Virgin's US take-off

FT.com

7 August 2007 Tuesday 8:19 PM GMT

Length: 316 words

Body

Well, at least it had time to prepare for take-off. Virgin America's entry to the domestic airline industry has suffered interminable delays at the hands of regulators. With today's inaugural flight, the hard part is just beginning, though.

America's industry has a history of booms, followed by severe busts. Yet, delays notwithstanding, Virgin has timed its entry well. Virtually all full-cost US operators have been cutting domestic capacity. Moreover, Virgin is not trying to compete on price alone. Others, such as Skybus Airlines, are experimenting with a Ryanair-style model of ultra-low fares, charging for extras, and encouraging passengers to bring a book. Whether Americans will take to that in the same way as Europeans is an open question. Virgin, meanwhile, is essentially launching an updated version of the original JetBlue model: a cool, lower-cost alternative boasting high-quality in-flight service.

The challenge will be building customer loyalty. Appealing beyond Virgin's young, metropolitan demographic could prove tricky. Virgin is kicking off with routes that speak to that constituency, linking cities such as New York and Los Angeles to its San Francisco hub. But those are hotly contested. It is also uncertain how many business travellers might fill seats when tourists go back to work.

For all that, Virgin will increase competitive pressure in the low-cost arena. Unlike the major networks, this subsector is adding new aircraft. With no faster-growing international operations to offset any weakening of US consumer appetite, price-cutting is an obvious competitive lever to pull. And none can escape the nefarious effects of America's creaking air traffic control system: this June was the worst in years with regards to delays. As JetBlue's recent experience testifies, the hardest job for any expanding airline is ensuring deft handling of the inevitable snarl-ups.

Load-Date: August 7, 2007

Ryanair goes on the attack in Spain

FT.com

5 August 2007 Sunday 7:45 PM GMT

Length: 324 words

Byline: Kevin Done in London

Body

Ryanair, the leading European low-cost airline, is establishing two more operating bases in Spain.

The Irish carrier, which has the broadest spread of operations across Europe of any airline, with 20 bases in eight countries, is thought to be close to finalising deals in Valencia and Alicante.

The expected moves will intensify the battle for the Spanish market, the main focus for the expansion of low-cost carriers in Europe after the UK and Germany.

Ryanair has a base in Barcelona-Girona with nine aircraft and 49 routes and, in late November, opened in Madrid, which has five aircraft and 15 routes to date. The Spanish network was forecast to rise to 9m passengers a year including the Madrid base.

Rival EasyJet opened its first base in Spain in February in Madrid, with Barajas airport doubling the number of runways to four and opening a fourth terminal.

The ferocity of the competition in the Spanish airline market was underlined on Friday when Vueling, a Spanish start-up low-cost carrier that began flying three years ago, alarmed investors by announcing net losses in the first six months of this year had jumped from 6.5m to 33.7m (GBP22.8m).

Vueling was only floated in December and its share price plunged about 30 per cent on Friday, closing 6.89 lower at 15.80.

It blamed the losses on the price war, as its average fares fell 23.4 per cent year-on-year in the second quarter from 51.85 to 39.71.

Vueling said much of the pressure on its Barcelona and Madrid bases was coming from Clickair, a low-cost airline launched by Iberia, the Spanish flag carrier, and from Spanair, a subsidiary of SAS Scandinavian Airlines, which is up for sale.

Ryanair has said it would ground seven of its 40 aircraft based at London Stansted for four months this winter, to reduce lossmaking routes and protest at a doubling of airport charges since April. The airline has not taken any action to slow the flow of new aircraft it has ordered from Boeing.

Load-Date: August 5, 2007

Ryanair jumps on cost-cutting move

FT.com

31 July 2007 Tuesday 8:33 PM GMT

FINANCIAL TIMES

Length: 405 words

Byline: Kevin Done in London

Body

Ryanair will for the first time ground aircraft during the winter months as it reduces capacity in response to weaker average fare levels.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

Howard Millar, Ryanair chief financial officer and deputy chief executive, said the airline would keep a reduced fleet of 33 aircraft down from 40 at Stansted airport, north-east of London, between November and February.

Other reductions would lead to a total capacity cut across the 146-aircraft fleet of close to 7 per cent. No details were given of the routes that would be affected.

Ryanair's share price jumped sharply on the news and on raised profit guidance for the full year, closing last night 55 cents, or 11.6 per cent, higher at 5.30. Rival EasyJet rose by 12.9 per cent and British Airways was up by 3.9 per cent.

Michael O'Leary, Ryanair chief executive, said the airline was cutting capacity in the winter partly in response to weaker average fare levels and partly because of the doubling of both airport charges at Stansted and of air passenger duty in the UK.

The higher airport charges, which came into force in April, "make it more profitable to ground these aircraft during the winter rather than fly them", he said.

He added that the capacity reduction should "bring more stability" to yields while also reducing operating costs and eliminating losses on unprofitable winter routes at Stansted.

Mr O'Leary said the group's outlook for the current year to the end of March remained "cautious . . . due to the softness of traffic and yields. Although we have little visibility beyond the next two months we expect this weaker demand to continue."

He said that yields, which were flat in the first three months from April to June were expected to be "slightly down" in the second quarter and could fall by as much as 5 to 10 per cent in the winter quarters from October to March.

The group raised its profits guidance due to the capacity cuts, which would reduce airport charges. It expected lower oil costs thanks to successful hedging and the lower value of the US dollar, which would also reduce aircraft acquisition and maintenance costs.

Ryanair said that its net profit in the first quarter had risen by 20 per cent from 115.7m to a record 138.9m, helped by a 22 per cent rise in turnover to 693m and an 18 per cent rise in passenger volumes to 12.6m.

Load-Date: July 31, 2007

Heathrow and Stansted under fire

FT.com

31 July 2007 Tuesday 10:19 PM GMT

Length: 390 words

Byline: Kevin Done and Bob Sherwood

Body

BAA's stewardship of London's airports was coming under mounting criticism on Tuesday after Ken Livingstone said Heathrow "shamed" the capital, while the head of Ryanair said the service standard at Stansted was "nothing short of appalling".

The company was also rounded on by Giovanni Bisignani, director-general of the International Air Transport Association, the global trade association for airlines, which said BAA "continues to deliver embarrassingly low service levels by failing to invest in appropriate equipment and staff to meet demand."

Just days after Kitty Ussher, the new City minister, told the Financial Times that the "hassle" of Heathrow was undermining London's status as a financial centre, the mayor also joined the fray on Tuesday saying: "Heathrow does shame London. It is typical of the English short-termism, lack of planning, lack of investment.'

The problems of Heathrow were raised by business leaders at a meeting with Gordon Brown last year and are also likely to feature at the first meeting of his new business council in the autumn. On Tuesday, Sir Thomas Harris, vice-chairman of Standard Chartered Capital Markets, said Heathrow's facilities were "clearly not fit for the purpose as they were designed for a different age" and could no longer cope with the passenger numbers.

Michael O' Leary, chief executive of Ryanair, rounded on the delays at security and immigration at Stansted. He added that the group provided "abject facilities, a third-rate service and charges extortionate prices, particularly at Stansted".

Many of the 17 security machines were regularly un-manned in peak hours and understaffing at passport control caused long queues and frequent passenger delays, he said.

Heathrow and Stansted under fire

Ryanair has frequently called for the break-up of the BAA London airports monopoly, which includes Heathrow, Gatwick and Stansted. The outcry against the airports group already triggered the launch of an investigation by the Competition Commission.

BAA said Ryanair's attack on Stansted charges was "complete nonsense". It said: "We do staff up the security lines fully, when needed. We take our passenger forecasts from the airlines."

On Heathrow it added: "We are not deaf to the comments and concerns of business leaders and others.We have a plan to transform Heathrow, and it starts with the opening of Terminal 5."

Load-Date: July 31, 2007

Murdoch jnr wisely shows Sir Alan small mercy

FT.com

31 July 2007 Tuesday 8:27 PM GMT

FINANCIAL TIMES

Length: 847 words

Byline: Chris Hughes

Body

Sir Alan Sugar teaches apprentices on his television show that it is good business to drive a hard bargain with suppliers. Now James Murdoch has shown that it makes sense not to push that philosophy too far.

British Sky Broadcasting, which is headed by Mr Murdoch, has provided a dignified solution to the challenges facing Amstrad, the electronics group founded and run by Sir Alan.

Amstrad supplies set-top boxes to the satellite broadcaster and does very little else besides. Its future as an independent company was threatened by BSkyB's plan to bring set-top box development inhouse. But BSkyB is now buying Amstrad for GBP125m.

Mr Murdoch son of media magnate Rupert has negotiated a cracking deal for his shareholders. BSkyB is paying a measly 24 per cent premium over Amstrad's market value on Monday. Its offer values Amstrad at less than its market capitalisation in March. The low price means the transaction will boost BSkyB's earnings from the outset.

Meanwhile, BSkyB obtains a capability that would have taken years to build from scratch. The deal also forces its other set-top suppliers, such as Pace Micro Technology and Thomson, to raise their game.

But Mr Murdoch could have driven a much harder bargain. The 13 per cent fall in Pace's shares underscores the threat to set-top box makers posed by BSkyB's new technology strategy. And under Sir Alan's leadership, Amstrad has hit a dead end. His attempts to diversify the business in recent years have failed. Amstrad now relies on BSkyB for 75 per cent of its sales, according to Mr Murdoch.

BSkyB could have squeezed Amstrad in the ordinary course of business, pulverised its shares and then pitched a lower bid.

While such an approach would have saved BSkyB money in the short term, it would have been risky. Mr Murdoch knows it is wise to be seen to treat your suppliers fairly. Moreover, BSkyB cannot afford to get up to dirty tricks. It has become embroiled in a spat with pay-TV rival Virgin Media. The public relations fallout would be disastrous if BSkyB appeared to be humiliating Sir Alan and putting Amstrad jobs at risk.

Owners of almost half of Amstrad's shares including Sir Alan are backing the deal. The rest should assume that if they snub Mr Murdoch's low-ball offer, the alternative to this small mercy could be much worse.

Ryanair is slashing capacity at one of its busiest airports for the first time in its history. Of all airline bosses, only Michael O'Leary could take such action and come out looking like a hero.

The Ryanair chief executive is grounding seven out of 40 planes flying from Stansted this winter and cutting back routes elsewhere.

His detractors will use this as evidence that Ryanair's low-cost business model has come unstuck. But it would be fairer to say that Mr O'Leary is sensibly modifying the model in response to weakening demand and the decision by airport operator BAA to raise passenger charges.

In a single stroke, Mr O'Leary has removed a drag on the company's profits while regaining the upper hand in its tense relationship with BAA. That along with some surprisingly good quarterly results has put a rocket under Ryanair's shares. Indeed, the jump in other airline stocks yesterday suggests that Mr O'Leary may have succeeded in blowing away the negative sentiment that has dogged the European aviation sector in recent months.

Ryanair's move puts genuine pressure on BAA, both financially and strategically. It has a direct impact on the airport group's revenues from Stansted. It also undermines BAA's plans to build another runway at the airport. If this is how airlines are going to respond to higher passenger charges, the new runway will be empty half the year.

True, Ryanair still faces headwinds. The airline has warned that demand is likely to remain weak. But Ryanair's ability to manage this challenge is increasingly convincing. It is not just the radical action at Stansted. Ryanair's revenues from extra services such as car hire and onboard snacks rose 53 per cent in its last quarter.

Investors are brave to jump straight back into the stock in these volatile markets. Still, they should have confidence in Mr O'Leary's ability to run the business for profitability as well as growth.

EMI will be running around this morning to locate the last few shareholders who have not accepted the takeover bid for the music company from Terra Firma, the private equity group. If 90 per cent of the shares are not tendered in favour, Citigroup, the investment bank, can wriggle out of its conditional agreement to finance the deal.

As this column noted last week, it would be incredible if Citi chose to damage its reputation by insisting the acceptances condition was satisfied before stumping up. EMI and Terra Firma are both Citi clients.

But there are lessons here. Fund managers, especially tracker funds, need to be better organised in tendering shares to bids. Otherwise a hapless minority can spoil a takeover that the majority of a company's shareholders desire. As for bidders, they should demand a bit more headroom on financing terms from now on.

Load-Date: July 31, 2007

Strong newsflow helps FTSE recover poise

FT.com

31 July 2007 Tuesday 9:10 AM GMT

Length: 423 words

Byline: Michael Hunter

Body

Strong interim results at Lloyds TSB and relief that GlaxoSmithKline was cleared to keep a key drug on sale in US markets helped London traders throw off the bears on Tuesday.

The FTSE 100 started the session 1.1 per cent higher at 6,273.5, a broad-based rise of 67 points, taking it back into positive territory for the calendar year and off a four-month low hit at the end of the previous session.

Strength in mid-cap house building stocks helped the FTSE 250 continue its recovery, rising 1.2 per cent to 11,208.7, a gain of 138 points.

The US Food and Drug Administration's overnight ruling that GlaxoSmithKline's diabetes treatment Avandia could remain on sale in the world's biggest drug market sent shares in the company 3.5 per cent higher to GBP12.58.

The medicine had been linked to an increased risk of heart attacks in patients, and its packaging will include prominent warnings.

Lloyds TSB reported a 15 per cent increase in interim profit before tax of GBP2bn, and increased its dividend for the first time in five years.

The UK-focused high street bank also said it expected 2007 levels of bad debt to remain stable, and announced the GBP977m cash sale of Abbey Life to Deutsche Bank.

That deal helped insurance stocks to make gains on hopes of further deal making in the sector, which has lost ground in the wake of the summer floods in England on the prospect of big payouts.

Friends Provident was 1.8 per cent higher at 180.9p, Prudential rose 2.3per cent to 665p and Aviva made gains of 1.7 per cent to 670p.

Forecasts of improved growth in the second half helped shares in Rexam overcome news of lower interim profits, down to GBP98m from GBP121m a year ago. Stock in the drinks can maker rose 1.9 per cent to 499.3p.

BSkyB rose 0.5 per cent to 668p after it announced surprise plans to buyAmstrad, the set top box manufacturer, for GBP125m, or 150p per share a premium of about 23 per cent.

The biggest pay TV operator in the UK said the purchase would provide it with an "in-house design and development facility".

Further down the market, EasyJet topped the FTSE 250 with a 9.9 per cent rise to 497p, lifted by news of stronger-than-forecast first quarter profits at its fellow low cost airline Ryanair, up 10.7 per cent at 5.3.

Newly merged housebuilder Taylor Wimpey told investors that it expected to cut costs further than previously thought as it unified its operations, saving GBP100m a year rather than GBP70m. It also announced plans to return GBP750m to investors via an 18-month share buyback due to start immediately.

Load-Date: July 31, 2007

CAA calls for end to price controls

FT.com

26 July 2007 Thursday 10:05 AM GMT

FINANCIAL TIMES

Length: 432 words

Byline: Kevin Done, Aerospace Correspondent

Body

The Civil Aviation Authority on Wednesday called on the government to end regulated price controls for both London Stansted and Manchester airports.

The move represents the biggest shake-up of the economic regulation of UK airports since the system was introduced in response to the privatisation of BAA, the UK airports group, in 1987.

Currently the CAA regulates the charges imposed on airlines at the three London airports, Heathrow, Gatwick and Stansted, which are all owned by BAA, a subsidiary of Ferrovial, the Spanish infrastructure and services group, and Manchester airport, which is owned by 10 local authorities led by Manchester City Council.

The proposed removal of Stansted from the price control regime has already provoked fierce criticism from its main users, Ryanair and EasyJet, which together account for about 85 per cent of passenger volumes.

A spokesman for EasyJet said on Wednesday that the airline was "wholly opposed" to the proposal to remove price controls at Stansted and to depend on market forces in setting charges.

"We know from our booking patterns that Stansted is a partial local monopoly and monopolies need greater price regulation, not less," he said.

Ryanair said it opposed removing price caps at Stansted at the very time when passengers needed protection from the "overcharging monopoly" of BAA.

It said the CAA was "abdicating its obligation to protect passengers from monopoly abuse. This comes at a time when BAA has more than doubled passenger charges in Stansted in April, which has led to a serious decline in passenger numbers, almost a 7 per cent drop compared to BAA's own forecast numbers."

On Wednesday, the government launched a public consultation on the proposals, which is due to run to mid-October.

The CAA said on Wednesday that Stansted did not have and was not likely to acquire "substantial market power". Competition law was sufficient to address the risk of abuse, while continuing regulation ran the danger of distorting the big decisions to be taken on increasing capacity at Stansted, including a second runway.

The CAA also claimed that Manchester airport faced strong local competition in some markets, with strong route overlaps in particular with Liverpool and Leeds-Bradford airports.

These competitors were growing much more strongly than Manchester, adding 1m passengers in 2006 compared with 250,000 at Manchester.

Such pressures limited any incentive for Manchester to raise prices "unreasonably", said the CAA.

For Stansted, the regulator claimed it had been unable historically to generate "a reasonable return" on its assets.

Load-Date: July 26, 2007

CAA calls for end to price controls

FT.com

26 July 2007 Thursday 10:05 AM GMT

FINANCIAL TIMES

Length: 432 words

Byline: Kevin Done, Aerospace Correspondent

Body

The Civil Aviation Authority on Wednesday called on the government to end regulated price controls for both London Stansted and Manchester airports.

The move represents the biggest shake-up of the economic regulation of UK airports since the system was introduced in response to the privatisation of BAA, the UK airports group, in 1987.

Currently the CAA regulates the charges imposed on airlines at the three London airports, Heathrow, Gatwick and Stansted, which are all owned by BAA, a subsidiary of Ferrovial, the Spanish infrastructure and services group, and Manchester airport, which is owned by 10 local authorities led by Manchester City Council.

The proposed removal of Stansted from the price control regime has already provoked fierce criticism from its main users, Ryanair and EasyJet, which together account for about 85 per cent of passenger volumes.

A spokesman for EasyJet said on Wednesday that the airline was "wholly opposed" to the proposal to remove price controls at Stansted and to depend on market forces in setting charges.

"We know from our booking patterns that Stansted is a partial local monopoly and monopolies need greater price regulation, not less," he said.

Ryanair said it opposed removing price caps at Stansted at the very time when passengers needed protection from the "overcharging monopoly" of BAA.

It said the CAA was "abdicating its obligation to protect passengers from monopoly abuse. This comes at a time when BAA has more than doubled passenger charges in Stansted in April, which has led to a serious decline in passenger numbers, almost a 7 per cent drop compared to BAA's own forecast numbers."

On Wednesday, the government launched a public consultation on the proposals, which is due to run to mid-October.

The CAA said on Wednesday that Stansted did not have and was not likely to acquire "substantial market power". Competition law was sufficient to address the risk of abuse, while continuing regulation ran the danger of distorting the big decisions to be taken on increasing capacity at Stansted, including a second runway.

The CAA also claimed that Manchester airport faced strong local competition in some markets, with strong route overlaps in particular with Liverpool and Leeds-Bradford airports.

These competitors were growing much more strongly than Manchester, adding 1m passengers in 2006 compared with 250,000 at Manchester.

Such pressures limited any incentive for Manchester to raise prices "unreasonably", said the CAA.

For Stansted, the regulator claimed it had been unable historically to generate "a reasonable return" on its assets.

Load-Date: July 27, 2007

Ryanair set for EU clash over disability

FT.com

25 July 2007 Wednesday 8:49 PM GMT

FINANCIAL TIMES

Length: 371 words

Byline: Andrew Bounds in Brussels

Body

Ryanair, the Irish low-cost airline, is cruising for another clash with Brussels, this time over the rights of disabled passengers to fly.

The European Commission yesterday said airports and airlines in the EU had a year to implement new rules obliging them to carry disabled and elderly passengers without restriction.

Under the regulation, wheelchairs should be provided at airports and guide dogs accommodated free.

Yet Ryanair, which in 2005 ordered six blind and three disabled people off an aircraft because they had not warned staff, said it would maintain a limit of four disabled passengers.

"We comply with all relevant European rules," a spokesman said. "The limit is in place for safety reasons and it is going to remain so."

A Commission spokesman said: "Such a rule would have to be justified under international conventions and law."

The Association of European Airlines (AEA), which represents flag carriers, said it had no set restrictions on disabled passengers. However, a captain could refuse to take off if he considered cabin crew would be unable to evacuate them in the event of an accident.

Ryanair is suing the Commission for allegedly failing to take action over state aid to some airlines and has attacked a decision to block its proposed takeover of Aer Lingus, its Irish rival, as politically motivated.

"These regulations make it crystal clear that there will be no discrimination possible between low-mobility passengers and passengers with normal access to planes," said a spokesman for Jacques Barrot, the transport commissioner.

In 2004 a British sufferer from cerebral palsy won damages from Ryanair and Stansted airport, its London base, after he contested an GBP18 charge for the use of a wheelchair.

The airport will be obliged to provide the service and then to bill airlines. Francoise Humbert, of the AEA, said ticket prices might rise slightly but there was little scope for the full cost to be passed on because of fierce competition.

Brussels has had difficulty enforcing such rules in the past. In 2004 it gave passengers new rights to compensation if flights were delayed or cancelled. However, some countries have yet to specify penalties or set up the relevant bodies to enforce the rules.

Load-Date: July 25, 2007

Ryanair threatens to sue EU over subsidies

FT.com

10 July 2007 Tuesday 10:52 AM GMT

Length: 402 words

Byline: ToShelley

Body

Ryanair maintained its barrage of complaints against governments and regulators, airport authorities and competitors with a blast against the European Commission on Tuesday morning.

Europe's largest low-cost airline said it would sue the Commission for "its repeated failure to take action on a number of state aid complaints involving Air France-KLM, Lufthansa, Alitalia and Olympic Airways, which were submitted to the Commission over a year ago".

Ryanair alleges hundreds of millions of euros of illegal state aid has subsidised these airlines and that Brussels has failed to act.

The airline is currently smarting at the blocking last month by the European competition commissioner of its 1.48bn bid to take over Aer Lingus, the Irish national carrier, saying it would lead to a monopoly that could lead to higher prices and a declining service. Michael O'Leary, Ryanair's chief executive, vowed to appeal.

Wednesday's attack on European regulators is the latest run-in that the low-cost Irish airline has had with Brussels. In 2004, the Commission ruled that Ryanair benefited from illegal regional state aid from the local authorities running Charleroi airport in Belgium.

However, the airline has won claims against regulators. In May, it won a local court case against Lufthansa over its deal to use Frankfurt-Hahne airport.

It has also been conducting a long-running war with the Irish regulator over passenger charges at Dublin airport. This flared up recently when Ryanair complained its passengers would end up paying for a new terminal at Dublin that they would not use. Days later the Irish Consumers' Association came in for an earbashing. On Tuesday, Ryanair took the opportunity to highlight accusations that its pocket size domestic rival Aer Arran was charging high fares.

Other targets of Mr O'Leary's ire have included BAA, the main UK airport operator, which the Irishman said should be broken up. LastMinute.com, the travel website, was accused of "telling porkies" and he called comments by the UK environment minister "foolish", saying "he hasn't a clue what he's talking about".

Wednesday's challenge to Brussels reiterates charges that France discounts domestic airport fees to the benefit of Air France, Munich Airport has been allowed to run up losses for a new terminal to the advantage of Lufthansa, and Italy and Greece have given state aid to "terminally ill flag carrier airlines".

Load-Date: July 10, 2007

Brussels blocks Rynair's Aer Lingus bid

FT.com

28 June 2007 Thursday 1:40 AM GMT

FINANCIAL TIMES

Length: 385 words

Byline: Tobias Buck in Brussels

Body

The European Union's top antitrust regulator yesterday blocked Ryanair's audacious 1.48bn (bn$2) bid to take over domestic rival Aer Lingus, but ruled out any move that would force the low-cost airline to divest its current 25 per cent stake in the Irish flag carrier.

Neelie Kroes, the European Union competition commissioner, said a combination of the two carriers would have led to a near-monopoly in the Irish market and would have harmed passengers.

"Monopolies are bad for consumers because they reduce choice, lower quality and give rise to higher prices. Low-cost carriers like Ryanair are no exception to this rule," she said.

The prohibition the first by Ms Kroes since 2004 and the first ever of an airline merger had been widely expected. However, there had been uncertainty whether Brussels would use its powers to force a divestment of Ryanair's holding in Aer Lingus.

But Ms Kroes said: "Since Ryanair is not in a position to exert de jure or de facto control [over Aer Lingus], the Commission is not in a position to require Ryanair to divest its minority shareholding, which is, by the way, not a controlling stake."

Michael O'Leary, Ryanair chief executive, warned this week that a formal demand to put such a big block of Aer Lingus shares on the market would have destabilised the carrier and hurt small shareholders.

Mr O'Leary who vowed to appeal the prohibition also attacked the ruling as "politically motivated" and unfair in the light of Brussels' support for earlier airline mergers.

But the Commission pointed out that a merged group would have accounted for more than 80 per cent of all European flights into and out of Dublin. It would also have had a monopoly or dominant position on 35 routes used by more than 14m European passengers every year.

This meant the deal would have affected far more passengers directly than earlier mergers such Air France/KLM and Lufthansa/Swiss - both of which were approved by Brussels.

Rebutting Ryanair's arguments in favour of the deal, Ms Kroes also provided a riposte to Mr O'Leary's complaint that even desperate measures would not improve the carrier's standing in Brussels. She said: "[Mr O'Leary] took the conclusion I am not sure why that even if he was standing on his head in the nude that I would not be impressed. I think he was right."

Load-Date: June 28, 2007

Ryanair/Aer Lingus

FT.com

26 June 2007 Tuesday 8:14 PM GMT

Length: 324 words

Body

The European Commission is expected to announce this week that it will block a takeover of Aer Lingus by Ryanair. Has Aer Lingus, the Irish flag carrier, and the Irish government, which also opposed the deal, won an unfair victory?

The decision seems to centre on fears that a dominant Ryanair/Aer Lingus at Dublin airport with about two-thirds of short-haul traffic would hurt passengers. Ryanair counters that, in previous deals, the competition authorities have been willing to tolerate an increase in airport dominance. Air France and KLM, before their merger, both already controlled more than two-thirds of traffic in their domestic airports of Paris and Amsterdam. Since nearly two-fifths of flights at Dublin are run by other airlines, it seems unreasonable to suggest that, other than capacity constraints, there are significant barriers to entry there.

So there are reasons to question the Commission's decision. But the mudslinging by both sides that has characterised this takeover battle cannot obscure the dilemma the competition authorities face. With 60 per cent of Dublin flights, a merged Ryanair/Aer Lingus would still face competition. And Ryanair has committed, convincingly, to lowering ticket prices. But it is quite possible that, simply through organic growth if not by this acquisition, Ryanair will increase its share of Dublin flights yet further. Of course, such progress is not a given and stopping it from buying Aer Lingus will inevitably delay it. But if Ryanair had, say, 80 per cent of flights, passengers would not, realistically, have an alternative.

Giving up slots at Dublin, or possibly some form of price control, could remedy this situation, although the Commission and Ryanair might find it difficult to agree what was necessary. Rejecting the deal outright, though, risks giving the impression that, as with Tesco in the UK, the most efficient operator in its market is being penalised for its success.

Load-Date: June 26, 2007

Air Berlin insider dealing probe

FT.com

19 June 2007 Tuesday 8:27 PM GMT

FINANCIAL TIMES

Length: 391 words

Byline: Gerrit Wiesmann in Frankfurt

Body

German police on Tuesday raided the offices of Air Berlin as state prosecutors said they were investigating allegations of insider dealing against the carrier's chairman, chief executive and at least three other executives.

The company's board issued a statement denying wrongdoing on the part of five employees, and one unnamed person, under scrutiny for allegedly buying Air Berlin shares prior to the take-over of rival dba in August.

The accusations rattled investors as they concerned chief executive, Joachim Hunold, the charismatic architect of the airline's success, who admitted to buying shares without insider knowledge at the time in question.

Since listing in spring 2006, Mr Hunold has made good on promises of closing the gap on his budget carrier rivals Easyjet and Ryanair, not least through the dba deal. Air Berlin's stock fell 3 per cent to 16.06.

The Stuttgart state prosecutors office said in a statement it was acting on a complaint filed by Bafin, the Germanfinancial regulator, against "six people connected to [Air Berlin], including its chief executive and chairman".

It said police seized company documents from three residences and Air Berlin's base in the German capital, as well as sites in five other towns. Inquiries look set to continue for months.

"There is a suspicion the accused used insider information about the planned purchase of an airline in Munich by an airline in Berlin from early June of last year," state prosecutor Bettina Vetter said.

When the deal was announced on August 17, Air Berlin's stock price jumped 10 per cent to more than 10 per share. It doubled over the next nine months, helped by an increasingly solid German economy.

In the Air Berlin statement, Mr Hunold said he bought stock at the start of June 2006 "to send a positive signal to the market", the date coinciding with an end to his being barred from trading in the stock after the listing.

He said Air Berlin and dba sealed a confidentiality agreement prior to that as a prelude to exploring "a possible acquisition" of dba. "But any purchase was still highly unlikely at the time," the statement said.

Mr Hunold said only after the June share purchases had non-executives mandated management to start talks with dba.

A letter of intent was signed two days later on July 17, the date from which insider rules dealings had to be observed.

Load-Date: June 19, 2007

Vivendi's value 'ready to be unlocked'

FT.com

19 June 2007 Tuesday 8:23 PM GMT

Length: 564 words

Byline: Robert Orr

Body

Vivendi was among the leading gainers on the CAC 40 as Goldman Sachs raised its stance on the telecommunications and media group, which it said was ripe for financial restructuring.

Lifting his recommendation from "hold" to "buy", Jean-Michel Bonamy, analyst, cited the "potential for cash to be returned to shareholders should the group sell assets or re-leverage its balance sheet". He continued: "In the current environment, which favours corporate activity, re-leveraging and break-ups, we believe Vivendi may be able, or indeed required, to unlock value." Vivendi closed up 0.8 per cent at 31.61.

In the wider market, fears of higher interest rates weighed on the retail sector, which dragged the FTSE Eurofirst 300 down 5.36 points, or 0.3 per cent, to 1,614.57.

The catalyst was disappointing sales news from Tesco, down 4.9 per cent to 432lp, and a warning from the UK's largest grocer about the rising cost of borrowing.

This helped to drag French supermarket group Carrefour 1.2 per cent lower to 52.30 while Celesio, the german chemist chain, lost 2.1 per cent to 47.55. Hermes International, the luxury goods group, dropped 2.3 per cent to 85.69 and Zara-owner Inditex fell 1.7 per cent to 44.09.

Sweden's Hennes & Mauritz, which is due to report quarterly figures Wednesday, closed down 2 per cent at SKr422.

Also on the back foot was the airline sector as Michael O'Leary, the high-profile chief executive of Ryanair, warned of a "big downturn" in the discount airline market. While the Irish carrier lost 3.7 per cent to 4.98, Spain's Iberia fell 2.4 per cent to 3.74, British Airways eased 2.3 per cent to 672p and Air France dropped 2.2 per cent to 35.29.

With the oil price holding above the $72 barrel level, oil stocks were in demand. Norway's Statoil closed up 1.6 per cent at NKr178 while ENI, the Italian exploration group, rose 1.9 per cent to 27.11.

SAP up 1.6 per cent to 37.89, was the biggest riser on the German Dax as Deutsche Bank said the software group's valuation remained "undemanding".

SAP is due to report full-year figures in a month and Deutsche said pressure was mounting for it to return cash to shareholders.

Mark Bryan, Deutsche analyst, wrote in a note: "The fundamental investment case remains attractive. Further analysis of the balance sheet indicates the group could have 25bn of excess capital by 2010 [and] pressure will mount from shareholders for cash returns."

Bayer, the German pharmaceuticals and chemicals group, firmed 1.1 per cent to 56.68 after raising its outlook for profits.

In France, Renault rose 1.9 per cent to an all-high time of 118.79 as Merrill Lynch added the car maker to its "European Focus" list and lifted its price target to 130. Rival Peugeot closed up 1.3 per cent at 60.40.

Thales gained 2.4 per cent to 45.68 despite confusion over the award of a multi-billion dollar contract with the US military.

While press reports suggested the defence group had signed a deal to supply radios to the US Navy, the company issued a clarification insisting this was premature and that it was "not [in] a definitive contractual phase at this stage".

Stork, the Netherlands manufacturing group, rose 9.7 per cent to 46.30 after confirming talks with private equity group Candover about a 47-a-share offer worth 1.5bn.

Among the new issues, Solaria gained 25 per cent to 11.9 as the solar power company made its market debut in Spain.

Load-Date: June 19, 2007

US airlines: The honeymoon may be over

FT.com

18 June 2007 Monday 2:37 AM GMT

FINANCIAL TIMES

Length: 835 words

Byline: Doug Cameron

Body

The briefest of honeymoons may already be over for the US airline industry, quite a feat for a sector without even a marriage to celebrate.

No sooner had the industry chalked up its first profitable year since 2000 than executives started offering gloomy predictions of emerging overcapacity as, forthe first time in five years, all of the major carriers operated outside of bankruptcy protection.

"The big surprise was that there was any surprise," says Doug Parker, chairman and chief executive of US Airways. The majors, reinvigorated with lower cost structures won through the courts, are no longer shrinking, while domestic low-cost carriers (LCCs) continue their own expansion, leaving capacity broadly flat after five years of shrinkage.

Mr Parker emerged as the US industry's defining figure over the past two years, first combining his America West with a bankrupt US Airways and then launching an audacious bid to create the world's largest airline by acquiring Delta Air Lines.

Delta fought off the bid, but the move triggered a frenzy of talks between the network carriers and set the scene for another push towards consolidation, either during the next cycle or when antitrust regulators signal such moves would win approval.

"I still think seats need to come out," says Mr Parker of the domestic market. The seats have stopped coming out, at least in the domestic market, and are being quickly added in the international arena as network carriers flex the advantage of their newly lowered costs against overseas rivals.

The majors have survived another cycle without a liquidation, and their lower cost structures have tempered the relentless march of the LCCs, some of whom are now suffering growing pains of their own. JetBlue's operational problems triggered a political debate over passenger rights, forcing the industry to fight a potentially unpopular battle against a so-called "bill of rights".

"The network carriers have found a cost structure and a revenue situation that appears to be sustainable," says Andrew Watterson at Oliver Wyman, though the pre-tax margin of just 1 per cent forecast for the industry this year remains paltry in terms of the capital needed for fleet replacement.

After five years of relentless focus on cost reduction exacerbated by a rise in fuel costs which many executives now view as structural US carriers are switching more attention to the revenue side in a bid to improve profitability.

Even Southwest, for so long the poster-child of US aviation with its 60 quarters of unbroken profitability, plans its own "transformation", borrowing a few ideas from Ryanair and Easyjet. Southwest plans to boost non-flying sales, encouraging passengers to book hotels and hire cars through its website, and experimenting with assigned seating and inflight entertainment.

Mr Watterson notes that while US carriers have lagged behind international rivals in "customer-facing" issues such as lie-flat beds on longhaul routes they have continued to innovate on the cost side. Measures include more efficient flight planning to save fuel and improve utilisation and deal with chronic congestion, as well as baggage handling systems the rate of lost baggage is half the level seen in Europe.

The network carriers are boosting international capa-city while keeping domestic flying flat. Routes to Europe, Latin America and, above all, Asia, are experiencing double-digit percentage gains in traffic and yields to offset the return of weakening conditions at home.

Not that the domestic market has prevented the arrival of new entrants such as Skybus, a Ryanair clone, and the expected arrival of Virgin America after more than a year in regulatory limbo.

The international push has been helped by some breakthroughs in the cats-cradle of international treaties which govern the global aviation industry, notably the open skies deal between the US and the European Union, and a doubling of capacity on routes to China. The arrival of longer-range aircraft is also affording the chance to tap markets such as India and the Middle East with direct services.

With the domestic market under control, despite the doom-mongering, and financial markets keen to underwrite international expansion, the biggest question mark for US airline executives remains their ability to manage labour relations.

Successive boom cycles have turned to bust with labour deals the industry was unable to afford. Labour groups have started to intensify their campaign to "share the gain" of profitability after their wage and benefit cuts in effect kept network carriers out of liquidation.

The head of the largest pilots' union warns that US airline passengers face a summer of cancellations and delays.

John Prater, the new president of the Air Line Pilots' Association, says carriers had cut too many staff and stretched working rules to the limit over the past five years, with some flight crew working 12- to 16-hour days.

"We have pilots that are far too tired to command aircraft," says Mr Prater.

Load-Date: June 18, 2007

Southwest looks to acquisitions

FT.com

13 June 2007 Wednesday 4:55 PM GMT

FINANCIAL TIMES

Length: 468 words

Byline: Doug Cameron in Chicago

Body

Southwest Airlines said on Wednesday that it was examining potential acquisitions and alliances with multiple carriers, a signal that industry consolidation could emerge among the fast-growing low-cost segment.

Gary Kelly, chief executive, said the largest US domestic airline had the funding to support acquisitions, despite a slowdown in revenue growth across the industry which is challenging its expansion plans and profit forecasts.

His comments followed a recent signal by Delta Air Lines, which emerged from bankruptcy protection in April, of interest in a future combination with JetBlue, the second-largest low-cost carrier. Analysts at Goldman Sachs reported the interest after a management meeting, though Delta has played down its significance.

The US low-cost segment is seen as ripe for consolidation after Delta's successful rebuff of a hostile bid from US Airways this year raised concerns that any deals among the large network carriers could be blocked on antitrust grounds.

While low-cost carriers such as Southwest and JetBlue continue to expand faster than network rivals, the overlap in their route systems is less likely to attract opposition from regulators.

Mr Kelly declined to be drawn on any potential targets, though analysts have in the past linked the company with Denver-based Frontier and Spirit, a Florida-based carrier which focuses on routes to the Caribbean. He noted Southwest had made acquisitions in the 1980s and 1990s Texas-based Muse Air and Morris Air, a Utah-based airline run by JetBlue founder Dave Neeleman. "Who knows, maybe we'll do one this decade," he said.

Southwest's business model formed the template for the rapid emergence of low-cost carriers around the world such as Ryanair, Easyjet and AirAsia. However, the airline is evolving its strategy to provide the flexibility for code shares and other alliances, as well as international flights. Southwest had previously eschewed such moves to protect its cost structure.

The airline is upgrading its computer systems to handle the added complexity of alliance partners and international flights. Southwest's only code-share is with ATA, a domestic carrier which it helped rescue from bankruptcy to secure its slots and gates at Chicago's Midway airport.

Analysts believe it is likely to seek partnership s with overseas carriers operating to the US. JetBlue last year signed an alliance with Aer Lingus to offer the Irish carrier's passengers onward travel within the US, and is examining similar partnerships.

Mr Kelly also said domestic margins remained under pressure at the start of the key summer travel season. "If trends don't change, it would be appropriate to change the growth rate," he said, noting Southwest had the flexibility to defer some of the 32 Boeing 737s scheduled for delivery next year.

Load-Date: June 13, 2007

Ryanair bid for Aer Lingus set to be blocked

FT.com

12 June 2007 Tuesday 10:43 PM GMT

FINANCIAL TIMES

Length: 370 words

Byline: Tobias Buck in Brussels

Body

Ryanair's bid for Aer Lingus will almost certainly be blocked by the European Union's top antitrust regulator this month, after Brussels found that a combination of Europe's biggest low-cost airline and Ireland's flag-carrier would undermine competition and harm consumers.

The European Commission still has until July 4 to finalise its decision, but it has drafted and circulated a ruling prohibiting the deal. According to several people familiar with the case, the Brussels-based watchdog on Monday presented its draft decision to national competition regulators, which backed the Commission's findings.

This means the Commission is now firmly set on a course towards blocking the deal, and a decision is expected to be announced at a meeting on June 27. Until then, however, Ryanair has the theoretical chance of swaying the regulator's opinion, for example by offering further slot sales to ensure competition on routes served by both carriers.

Though it is rare for the Commission to change its mind at a late stage, some observers feel that Michael O'Leary, Ryanair's flamboyant chief executive, is a more likely candidate than most for springing a last-minute surprise on Brussels.

It would be the first merger prohibition by Brussels since December 2004, when Neelie Kroes, the EU competition commissioner, blocked a deal between Portugal's dominant gas and electricity suppliers. In recent years, the Commission has become increasingly reluctant to ban mergers outright, instead preferring to impose tough conditions such as asset disposals.

In the case of Ryanair, the no-frills carrier had offered to sell some take-off and landing slots, but the Commission and rivals had deemed the concessionsinsufficient.

Even a Commission clearance decision would not have guaranteed the success of Ryanair's approach, because the Irish government and several other Aer Lingus shareholders, which together account for more than 40 per cent of votes, oppose the takeover.

Should the Commission go ahead as planned and block the deal, the ruling would open the door to a second Brussels ruling forcing Ryanair to sell its current 25 per cent holding in Aer Lingus.

Ryanair and the Commission declined to comment on the case Tuesday.

Load-Date: June 12, 2007

Ryanair warns of falling yields and rising costs

FT.com

6 June 2007 Wednesday 12:14 AM GMT

Length: 363 words

Byline: Robert Wright and Chris Bryant

Body

Ryanair, Europe's largest low-cost airline, warned that profitability would grow only 5 per cent in the coming year as tougher trading conditions force it to cut fares.

The airline said falling passenger yields and rising costs could even drive it into loss in the last two quarters of the year, when services are usually less busy.

The warning sparked a sell-off in the company's shares, which closed 0.42, or 7.8 per cent, lower in Dublin at 5.00.

The gloomy outlook came despite record results at the low-cost airline, which increased both revenues and yield per passenger in the year to March 31.

Pre-tax profits increased 33 per cent to 451m (GBP305m), even though fuel costs have risen sharply. Revenues rose 32 per cent to 2.24bn (1.69bn), aided by a 22 per cent rise in passenger numbers to 42.5m.

Ryanair said it would use part of its 2.2bn cash pile to buy back up to 300m of shares, starting later this week.

The airline remained confident it would increase passenger numbers by a further 22 per cent this year to more than 52m, but added that if soft conditions continued, yields per passenger could fall by up to 5 per cent.

Combined with a projected 6-7 per cent increase in unit costs, the fall is likely to mean profit growth of only about 5 per cent, with possible losses in the September-December and January-March quarters.

However, Chris Avery, aviation analyst at JPMorgan, said that the low-cost carrier model was not broken and that tougher conditions were "temporary wobbles".

Strong profit growth last year was driven partly by a 7 per cent rise in average fares.

Revenues from scheduled fares rose to 1.87bn (1.43bn) while ancillary revenues from items such as onboard food sales rose 40 per cent to 362m (259m).

But some of the gains were eaten up by a 9 per cent rise in unit costs including a 50 per cent increase in fuel costs to 693m and higher staff costs because of the increased lengths of flights it operates.

Ryanair is awaiting the result of a European Commission review of its proposed hostile takeover of Aer Lingus . Michael O'Leary, chief executive, said he expected the commission to reject the bid but would take the matter to the European courts.

Load-Date: June 6, 2007

Interest rate concerns hit European equities

FT.com

6 June 2007 Wednesday 6:03 PM GMT

Length: 584 words

Byline: Neil Dennis

Body

European equities were sharply lower on Wednesday as concerns over higher borrowing costs in the eurozone encouraged profit taking in consumer industries.

The European Central Bank, as widely expected, lifted eurozone interest rates by a quarter-point to 4 per cent. While bank president Jean-Claude Trichet described rates as still "on the accommodative side", stocks were driven lower by concerns that more tightening is to come.

Leisure industries were badly hit by expectations that higher interest rates would curb consumer spending. For a second day in a row, airline stocks were lower, after a study suggested the cost to the industry of joining the European Union's emissions trading scheme would be 9.8bn-45bn between 2011 and 2022.

Air France-KLM fell 3.7 per cent to 35.40, while Lufthansa shed 3.6 per cent to 20.12.

Ryanair, the Irish budget airline, was Tuesday's biggest loser after the company warned that recent interest rate increases in the UK would have a damaging impact on profit growth this year. The stock dipped just 0.4 per cent to 5.02 yesterday, after a number of brokers said they considered recent share weakness a buying opportunity.

ABN Amro upgraded the stock from "hold" to "buy", finding value in the company's announcement of a 300m share buy-back.

Chris Avery at JPMorgan said: "We see a buying opportunity for the segment opening up, although it may be too soon for our anticipated recovery to start now."

The prospect of a wider slowdown in consumer spending also hurt retailers. Swedish fashion chain H&M fell 1.6 per cent to 430, while Spanish rival Inditex lost 3.8 per cent to 44.20.

Carmakers were faced with fears that raised borrowing costs could deter consumers from big-ticket purchases that require financing. France's Renault fell 4 per cent to 108.88, while Italy's Fiat fell 3.6 per cent to 20.18.

Interest rate concerns also hit Spanish property and construction company's sectors that have already been undermined this year by Spain's housing slowdown. Sacyr Vallehermoso fell 5.3 per cent to 38.53 in spite of its announcement that it had been awarded a 124m motorway maintenance contract. Rival Acciona shed 4.9 per cent to 191.45, while FCC slid 4.1 per cent to 69.70.

Metrovacesa, the Spanish real estate group, fell 3.4 per cent to 80.75, while its Dutch peer Rodamco Europe slipped 3.6 per cent to 103.81 and France's Unibail lost 3.4 per cent to 199.55.

Bucking the trend was Spanish market debutant Realia. Although interest from institutional investors had been weak in the run up to the company's first day of trade, there was a strong take up from retail investors, showing appetite for IPOs remained healthy, in spite of fears over Spain's property market. Priced at 6.50 a share on Monday, the stock rose as high as 6.91, before ending at 6.56.

Allied Irish Banks shed 2.8 per cent to 21.18 after forecasting sticking with its 2007 target of "low double digit" earnings growth. The bank forecast lower profit growth in its capital markets unit and increased cost of around 9 per cent.

"We believe investors will remain relatively cautious until there is factual evidence that any slowdown will be a soft and not a hard landing," said Mark Thomas at Keefe, Bruyette & Woods.

Domestic rivals Anglo Irish Bank and Bank of Ireland fell 2.3 per cent to 16.99 and 2.9 per cent to 15.15 respectively.

Shares in Belgian chemicals group Solvay fell 5.1 per cent to 113.52 on talk that Morgan Stanley was placing 650,000 shares at between 115.50 and 116 each.

Load-Date: June 6, 2007

Ryanair may fall to second-half loss

FT.com

5 June 2007 Tuesday 1:42 PM GMT

Length: 438 words

Byline: Robert Wright

Body

Ryanair, Europe's largest low-cost airline, increased revenue and yield per passenger in the year to March 31 to post pre-tax profits up 33 per cent to 451m (m$608, GBP305m) despite a sharp rise in fuel costs, the group said on Tuesday.

However, the results were overshadowed by a warning that falling passenger yields and increasing costs would see profitability grow by only 5 per cent in the coming year, and that the airline could even fall into a small loss for the last two quarters of the year, when services are traditionally less busy.

Ryanair shares had fallen 0.37, or 6.8 per cent, lower at 5.05 in afternoon Dublin trading on Tuesday.

The company also announced plans to buy back up to 300m of shares starting later this week.

Michael O'Leary, chief executive, said the record profits and the strong growth in traffic, yields per passenger and revenues were a tribute to the strength of Ryanair's business model, under which it aims to provide the cheapest fare of any airline operating on routes it serves.

The strong profit growth was driven partly by a 7 per cent increase in average fares made possible by increases in fares and fuel surcharges at other airlines, and by Ryanair's new policy of charging passengers for checking in luggage, a policy intended to encourage them to travel with only hand luggage.

Revenues from scheduled fares rose to 1,87bn (1,43bn). Ancillary revenues from items such as onboard food sales also rose 40 per cent to 362m (259m). As a result, revenue grew 32 per cent to 2.24bn against 1.69bn the previous year on passenger numbers up only 22 per cent to 42.5m (34.8m).

Some of the revenue increase, however, was eaten up by a 9 per cent increase in unit costs, including a 50 per cent increase in fuel costs to 693m and higher staff costs because of the increased lengths of flights Ryanair operates.

The pre-tax profits compared with a figure of 339m for the previous year and post-tax profits increased to 401m (301m), excluding the effect of two exceptional items.

On future trading, Ryanair said it remained confident that it would increase passenger numbers by a further 22 per cent this year to more than 52m but that if current soft market conditions continued, yields per passenger could fall by up to 5 per cent. Combined with a projected 6-7 per cent increase in unit costs, the fall is likely to mean profit growth of only around 5 per cent, with possible losses in the September-December and January-March quarters.

A share buy-back programme is due to start later this week and at the market price before today's results would see 3.63 per cent of the share capital bought back.

Load-Date: June 5, 2007

Fed-up Ryanair

FT.com

5 June 2007 Tuesday 8:31 PM GMT

FINANCIAL TIMES

Length: 300 words

Body

Last time Michael O'Leary warned of an impending "bloodbath" in the low-cost airline industry, in 2004, it never materialised. This time around, the Ryanair boss's language is more tempered. But he is nevertheless gloomy about short-term prospects. Will his pessimism be justified?

Ryanair's results for the year to March 31, announced on Tuesday, were more than respectable. Net income of 401m was a third higher than last year and above analysts' forecasts.

But in spite of expecting passenger numbers to continue growing strongly, Ryanair is now warning of potential losses this winter. Yields average revenue per seat sold may drop 5 per cent in 2007-08, implying a 25 per cent hit to profits. Although fuel costs have fallen, higher airport charges and more cabin crew per aircraft will send unit costs up more than 6 per cent.

Mr O'Leary has other reasons for gloom. The European Commission appears on the verge of vetoing a Ryanair takeover of Aer Lingus, and may even force it to sell its 25 per cent stake in the Irish carrier. The setback will not affect Ryanair's plans to return money to shareholders. Nor will it affect its expansion. But it is nevertheless a distraction for its management at a time of increasing operational challenges.

Ryanair has the strongest business model of any European airline and a balance sheet to match. Its intention to meet any downturn with aggressive pricing has worked in the past and may work well in the future. Nevertheless, the industry headwinds are building.

Weakening demand, maturing low-cost markets and aggressive competition, allied to an unfavourable regulatory regime in the UK and continental Europe, is not the best mix. This is not the first time Mr O'Leary has played down expectations. But it may be the first time he is proved right.

Load-Date: June 5, 2007

Changing consumer habits hurt airlines

FT.com

5 June 2007 Tuesday 10:42 PM GMT

Length: 557 words

Byline: Neil Dennis

Body

European airlines were hit on Tuesday after a warning from Ryanair over the dangers to the sector from rising interest rates.

Ireland's low-cost carrier reported a better than expected 33 per cent rise in full-year net profit, thanks to 17 per cent passenger growth. But that was where the good news ended.

The shares fell 7 per cent to 5.04 after the company said profit growth this year would slow to 5 per cent, from 33 per cent last year, as competition and slowing consumer spending forced it to lower prices.

Howard Millar, finance chief at Ryanair, said four interest rate increases in the UK were starting to have an impact on the whole industry as consumers changed their spending habits.

The company said after the 300m share buy-back, there would be no more for at least three years.

"It is a true reflection of concern at the noticeable demand downturn in a specific segment of the airline market that gets ever more competitive," said Howard Wheeldon at BCG Partners.

Aer Lingus, Ryanair's takeover target, fell 4.5 per cent to 2.77 in spite of reassurances that Ryanair would not sell its stake should the European Union turn down its merger plans.

Other national carriers felt the pain, hit also by rising oil prices.

Air France-KLM, Europe's largest airline, fell 3.9 per cent to 36.76 and Germany's Lufthansa shed 2.4 per cent to 20.87, while Spain's Iberia slipped 0.8 per cent to 3.89.

Changing consumer habits hurt airlines

The FTSE Eurofirst 300 index ended the session 0.6 per cent lower at 1,612.13

Concerns over slowing growth in the Irish economy hit the country's financial institutions and drove the Irish Stock Exchange index 2.3 per cent lower.

Allied Irish Banks shed 3.3 per cent to 21.79, while Anglo Irish Bank lost 1.7 per cent to end the session at 17.23.

Investors were particularly troubled by the slowdown in the country's housing market. CRH, the Irish building materials group, fell 2 per cent to 36.60, while Readymix, the cement maker, fell 5 per cent to 2.66.

The housing malaise spread to Europe as investors nervously awaited the market debut today of Realia, a joint venture between Spanish construction group FCC and mortgage lender Caja Madrid.

Realia set its final offer price on Monday at 6.50 a share, below the indicative price of between 7.90 and 9.70.

Dutch real estate group Rodamco Europe shed 3 per cent to 107.72, while French property companies Unibail and Gecina fell 3.1 per cent to 206.50 and 2.1 per cent to 133.14, respectively.

After several sessions of losses, FCC shares rallied 2.2 per cent to 72.65.

German drugmaker Merck rose 5.5 per cent to 104.28 thanks to recent successful trial results on its cancer drug Erbitux and expectations that it would replace pharmaceuticals rival Altana in the blue chip Xetra Dax index.

German telecommunications software company LHS rose 12.8 per cent to 22.55 after Ericsson, the Swedish telecoms equipment maker, said it would offer 22.50for the shares in the company that it does not already own.

Shares in Ericsson gained 0.9 per cent to end at SKr26.60.

Comptel, the Finnish rival of LHS, rose 4.5 per cent to 2.10 on speculation that it could become the next target in the sector.

Renault, the French carmaker, gained 0.7 per cent to 113.38 after Carlos Ghosn, chief executive, said the company was on track to meet its 2009 targets.

Deutsche Bank lifted its price target from 117 to 144.

Load-Date: June 5, 2007

Telecoms lift European equity markets

FT.com

5 June 2007 Tuesday 11:43 AM GMT

Length: 466 words

Byline: Neil Dennis

Body

European equities were higher on Tuesday as telecoms stocks and heavily-weighted banks and oil groups all contributed to the cautious rebound following recent China market jitters.

In late morning trade, the FTSE Eurofirst 300 was up 0.2 per cent to 1,625.64, Frankfurt's Xetra Dax added 0.2 per cent to 7,989.82, the CAC 40 in Paris climed 0.2 per cent to 6,135.28 and London's FTSE 100 gained 0.3 per cent to 6,685.0.

Telecoms groups were higher as takeover talk hit the sector, with Britain's Vodafone suggested as a potential private equity fund target.

Meanwhile, Norway's Telenor rose 1.9 per cent to NKr118.75 after it said it would pay no more than a "full and fair price" for the share of Russia's Vimpelcom owned by investment company Alpha Group.

Telenor and Alpha both own large stakes in Vimpelcom, and the two companies are fighting a legal battle over Kyivstar, the Ukraine telecoms operator in which both have large holdings.

German telecoms software company LHS rose 12 per cent to 22.40 after Ericsson, the Swedish telecoms equipment maker said it would offer 22.50 for the shares in the company which it does not already own. Shares in Ericsson gained 0.7 per cent to SKr26.54.

Comptel, the Finnish rival of LHS, rose 8.9 per cent to 2.20 on speculation that it could become the next target in the sector.

Renault, the French carmaker, led the auto sector higher after Carlos Ghosn, chief executive, said the company was on track to meet its 2009 targets. The shares gained 2.6 per cent to 115.55.

German drugmaker Merck rose 6.2 per cent to 104.89 thanks to recent successful trial results on its cancer drug Erbitux, and expectations that it will replace pharmaceuticals rival Altana in the blue chip Xetra Dax index.

Shares in FCC, the Spanish construction and property group, rallied 3 per cent to 73.25 ahead of the market debut on Wednesday of Realia, its property joint venture with savings bank Caja Madrid.

Realia set its final offer price on Monday at 6.50 a share, below the indicative price of between 7.90 and 9.70 set earlier in the month, and causing FCC shares sharp losses.

Ryanair, the Irish airline, fell 7 per cent to 5.04 after the company warned that higher UK interest rates and increases in airport tax and passenger charges would hit growth in the sector.

"We think there is something fundamentally changing in the market," said Howard Miller, chief financial officer. "Five interest rate rises in the UK are having an effect on how consumers are spending."

Ryanair's takeover target Aer Lingus fell 3.5 per cent to 2.80 in spite of reassurances that Ryanair would not sell its stake should the European Union turn down its merger plans.

Elsewhere in the sector, Air France-KLM fell 1.1 per cent to 37.86, while Germany's Lufthansa slipped 0.2 per cent to 21.34.

Load-Date: June 5, 2007

JetBird: Low cost private air travel enterprise spreads its wings

FT.com

22 May 2007 Tuesday 12:28 PM GMT

FINANCIAL TIMES

Length: 769 words

Byline: Kevin Done, Aerospace Correspondent

Body

Domhnal Slattery made his first fortune in aviation finance, though he remains coy on exactly how many tens of millions of euros he received by selling his advisory business, IAMG, to Royal Bank of Scotland in 2001.

The Irish entrepreneur believes he has found a way to make a second fortune by making the glamorous world of private jet travel available to the "mass affluent" of Europe.

He says that private jet travel is poised to make the next big leap, with the new generation of cheaper very light jets (VLJs) coming on to the market. He is aiming to have the advantages of a first mover in Europe through his start-up company JetBird.

Across Europe and the US new ventures are emerging often called air taxi or air limousine services to take advantage of the arrival of the VLJs. "The economic model for [private] jet travel is about to change because of the dramatically reduced costs per seat mile these aircraft offer," Jack Pelton, chief executive of Cessna Aircraft, a subsidiary of Textron of the US, said last year.

Advances in small jet engines and avionics and higher volume production rates are set to lower dramatically the costs of aircraft acquisition and operation. "This change in economics will allow today's air charter and fractional operators to lower their costs and attract a whole new market to their services," he said.

Ireland has been at the forefront of the revolution in commercial aviation wrought by the low cost carriers led by Ryanair, and Mr Slattery believes that JetBird can "revolutionise the executive travel market" in a similar manner.

JetBird : Low cost private air travel enterprise spreads its wings

Yesterday the company announced the appointment of Stefan Vilner as chief executive. He was formerly chief commercial officer of Sterling Airlines, the Scandinavian low cost carrier, and chairman of the European low fares airline association.

Mr Slattery says the JetBird business model will use the operating principles of the low cost commercial carriers in order to lower significantly the prices for premium private jet travel.

The group is aiming to develop the first low cost, on-demand private jet service in Europe. It is due to start in April 2009, when the first aircraft will be delivered. It is currently planning to locate its first two hubs at London Stansted and Cologne/Bonn airports rather than in Switzerland. As the fleet grows, bases will also be developed in Switzerland, France, and Italy. According to data from Eurocontrol, the European air traffic control organisation, most business aviation traffic in Europe is concentrated roughly along a London/Rome axis, taking in Paris, Geneva, Cannes and Milan along the way.

JetBird will have a contained network of around 75 cities for the early years of its operations, although it will be able to operate to and from more than 800 European destinations, with flights typically of 60-90 minutes duration.

The group has decided to seek its air operators certificate (AOC) in Ireland, so that it will be regulated by the Irish aviation authorities, which have great experience of the low cost carrier model through the growth of Ryanair.

Mr Slattery believes he will be able to offer a traditional private jet premium service but at a much lower price, comparable to current business class travel, and costing less than 50 per cent of existing branded private jet services.

If NetJets Europe, by a wide margin the biggest operator of private jets in Europe, charges 5,000 an hour, JetBird will charge 2,500, says Mr Slattery.

The group will be the launch customer in Europe for the all-new Embraer Phenom 100, which is due to enter service from mid-2008. It has placed a firm order for 50, with options for another 50, and is due to take the first delivery in April 2009. The Phenom 100, which has a catalogue price of $2.98m at January 2005 prices, will seat four passengers and have a range of 1,160 nautical miles (2,148kms).

Mr Slattery says that JetBird will take up all 100 orders and options over a period of five years, and he expects to reach agreement with a leading US lessor on operating lease finance for the first 25 by September.

JetBird has also reached an agreement in principle with Canada's CAE, a leading supplier of full flight aircraft simulators, for the provision of pilots and training services. CAE has formed a joint venture with Embraer to support the introduction of the Phenom jets.

The start-up financing for JetBird has come from Claret Capital, a Dublin-based private investment company, of which Mr Slattery is chairman and managing partner and which has been formed to manage the private wealth of four Irish families including the Slatterys.

Load-Date: May 22, 2007

US gives final approval for Virgin America

FT.com

19 May 2007 Saturday 1:31 AM GMT

Length: 386 words

Byline: Doug Cameron in Houston

Body

Virgin America has won its 17-month battle to launch domestic US airline services, though the carrier faces a tougher market and the challenge of replacing its chief executive.

The US transportation department gave its formal approval to the San Francisco-based carrier, reversing its earlier opposition after the company agreed to distance itself from Sir Richard Branson and the Virgin Group which retains a 25 per cent stake and make other changes to its business model to meet foreign investment rules.

The fledgling carrier's plans had become mired in domestic and international disputes over aviation reform, and its delayed launch comes at a time when airline executives have expressed concern about overcapacity and softening demand in a US market recovering from five years of heavy losses.

Virgin America is one of three start-ups this year. Skybus, which is modelled on European low-cost carrier Ryanair, will launch services from its Ohio base next week using some aircraft leased from Virgin America while ExpressJet recently started its own flights to under-served cities.

The Virgin America model focuses on larger cities, with initial flights from San Francisco to New York, adding Los Angeles, San Diego, Las Vegas and Washington DC in its first year, with a further 25 cities being considered in its first five years. The airline has ordered 33 Airbus A319s, and has already received nine of the aircraft.

The airline aims to differentiate itself from rivals by using advanced technology to reduce costs, leveraging the Virgin brand with innovative amenities to capture customers. Rivals such as Southwest, the largest US domestic carrier, had anticipated the launch and plan to expand their own California services this year.

While Virgin America's financial backers have remained with the project despite the delays, the airline faces the challenge of replacing Fred Reid as chief executive within six months. The former Delta Air Lines and Lufthansa executive was recruited by Sir Richard in 2004 to head the project, but was viewed by regulators as being "beholden" to the UK entrepreneur and overseas investors.

Ron Reber, chief executive of SkyWest, a US regional carrier, is viewed by analysts as one possible replacement for Mr Reid, though the airline declined to comment on its succession plan.

Load-Date: May 19, 2007

European airlines' summer

FT.com

17 May 2007 Thursday 12:56 PM GMT

FINANCIAL TIMES

Length: 354 words

Body

British Airways is within a whisker of the Holy Grail. If the UK flag carrier announces it has met its goal of a 10 per cent operating margin when it unveils full-year results on Friday, it will be the first time during its 20-year life as a quoted company. But could it also mark the top of the cycle for the European airline industry?

Shares in European airlines, in euro terms, have soared 82 per cent in the last two years, propelled higher by resilient passenger demand and rising yields. There are signs, though, of clouds on the horizon. Demand for Ryanair and Easyjet flights seems to have softened after hefty price increases. And budget carrier Vueling has also cautioned about yields in its domestic Spanish market. It is not only the low-cost airlines which seem affected. BA has already warned of lower demand by US leisure travellers. And, as crude prices have risen again, neither BA nor Air France have fully replaced previous fuel surcharges, suggesting they are nervous of discouraging passengers with higher prices. It seems likely that two years of airlines being able to pump up prices without affecting demand are finally coming to an end.

There are other reasons for believing the cycle may be at a peak. Airlines, almost without exception, have increased capacity. Network carriers in the US, facing a slowdown in demand and ferocious competition, are taking aircraft out of their domestic market and putting those that have the range to fly long-haul on to the Atlantic. Meanwhile, buyers are circling Iberia and troubled Alitalia, while the all-business class operators Silverjet and Maxjet are planning to raise new equity. With industry profits already higher than at any previous cyclical peak, airlines are clearly hoping to take advantage of the historically rich valuations these imply.

As JP Morgan points out in research published this week, 25 years of industry history says that a third year of rising yields does not happen. Earnings growth over the last two years has not exactly been easy to achieve, as BA can testify, but all the signs are that it will be a lot harder going forward.

Load-Date: May 17, 2007

The Big Story: Sceptics not ready for takeoff

FT.com

14 May 2007 Monday 1:11 PM GMT

Length: 1117 words

Byline: Roger Bray

Body

Extravagant reaction to the recent "open skies" agreement between the EU and the US promised all the usual benefits of enhanced competition: more choice, tumbling fares and the launch of new direct routes which would save business travellers the tedium of waiting forconnections.

But will it prove to be a false dawn? The deal may look exciting for consumers at first glance but sceptical responses from the business travel sector suggest its impact will to be less dramatic and certainly less immediate than some commentators predicted.

In the short term, fares may fall at times and on days when demand is lowest.

As more airlines compete on key routes, corporate travel managers may find their hands strengthened when negotiating discounts and the range of restricted business class fares such as those with advance purchase requirements may widen.

But when it comes to the opening of non-stop routes, how many will produce enough traffic to justify investment in marketing, aircraft and possibly expensive slots?

The agreement, which takes effect next March, replaces bilateral air treaties between individual EU member countries and Washington. As a result any EU-based airline will be able to operate to any airport in the US and any US-based carrier will be allowed to fly to any destination in the EU.

The most contentious effect is to open London's Heathrow to more transatlantic flights.

The Big Story: Sceptics not ready for takeoff

The Bermuda 2 bilateral between London and Washington limited the number of airlines allowed to use the airport to two from each side: British Airways and Virgin Atlantic from the UK and American and United Airlines from the US.

At least five airlines have said that they plan or are considering taking advantage of the agreement: UK carrier bmi, which is seeking closer links with its Star Alliance partner United, is determined to fulfil its long-standing desire to operate transatlantic flights from Heathrow.

It has promised to unveil details of its first service from the airport soon. Continental, which has asked the US Department of Transportation for blanket permission to launch new routes to European cities, wants to start services to Heathrow from its Houston hub before summer next year.

Delta is seeking slots to enable it to fly there from New York and Atlanta, starting next spring. Virgin Atlantic is conducting a study of six potential routes to New York from Paris, Frankfurt, Madrid, Milan, Amsterdam and Zurich to see if they would sustain a challenge on incumbent carriers. A spokesman says: "It would be a substantial investment. We'd need to lease planes. But it is a real possibility."

And low-cost Ryanair has signalled its intention to set up a separate long-haul carrier which would fly from its European bases to secondary US airports.

In support of open skies, bmi compared published, non-discounted, unrestricted business class fares from London on BA and Virgin to various US destinations with those from Frankfurt, Amsterdam and Stockholm.

All the fares from the French, Dutch and Swedish airports were more than 40 per cent cheaper. Some of those from Frankfurt were more than 50 per cent lower and one from Stockholm to Chicago was 60.17 per cent less.

Nigel Turner, bmi's chief executive, says it was "scandalous" that under Bermuda 2, travellers from London had been forced to pay so much more.

Will the new agreement end this disparity?

Probably not, thinks the UK Civil Aviation Authority. It has estimated that overall, the agreement could bring down transatlantic prices by an average of 10 per cent in real terms over five years.

Optimists may point to the impact of recent liberalisation on routes between the UK and India. Before deregulation, demand for non-stop flights clearly outstripped supply.

The loosening of constraints on competition in 2004 and 2005 has prompted a huge increase in flights and a wider range of reduced fares for travellers prepared to accept less flexibility.

Mike Platt, group industry affairs director of UK-based travel management company HRG, says: "The situation on US routes is not as extreme as it was to India but flights are very, very busy. Some people are not getting the flights they want. I think in the longer term we will see airlines merging to take advantage of slots. In the short term we won't see any sudden fare reductions. There might be some off-peak deals but on peak departures any extra capacity will just go to meet unsatisfied demand."

Similar scepticism is expressed by Andrew Waller, executive vice-president in the UK for Carlson Wagonlit Travel.

"I doubt an open skies agreement initially will bring much significant change to the majority of business travellers," he says.

"Competition is already intense on key routes from key airports. Short term, there may be more choice as additional airlines such as bmi come on to routes. However we don't anticipate seeing any significant shifts in market share and we certainly don't see any dramatic change in Heathrow prices for business class. The most obvious impact is likely to be in the form of potential airline mergers and acquisitions and the subsequent effect of these will take some time to filter through."

Philip Carlisle, chief executive of the UK's Guild of Travel Management Companies, says competition that forced down business class fares from Heathrow would be welcome.

But he acknowledges that a major obstacle may be a shortage of suitable slots, which change hands for huge amounts of money on the so-called "grey market".

With that proviso, fares might drop if one or more of the business class-only carriers operating to the US from London were to start services from the airport. None of those airlines Eos, Maxjet, which fly from Stansted and Silverjet, which operates from Luton has expressed any burning interest in the idea. However Eos says it is "glad the option exists".

Peter Sijbers, global commodity manager for Philips, based at Eindhoven in the Netherlands, says: "So-called open skies is exactly the way to describe it. In theory it could foster competition, particularly in the high yield business and first-class cabins. But if some other associated issues are not resolved slot allocation and capacity at certain key European airports such as Frankfurt, Paris and particularly London the outcome will be zero.

"I don't see anything in the agreement which facilitates the more liberal allocation of slots. And I don't see any other airports in Europe with enough traffic to attract new flights to and from the US. It would be great to be able to fly to more gateways in the US but I don't think I'm being unduly cynical when I say 'wait and see'.

"Potentially it could open doors but for now it's not even half a solution."

Load-Date: May 14, 2007

Sports Direct's fall continues to new low

FT.com

14 May 2007 Monday 10:37 PM GMT

Length: 684 words

Byline: Neil Hume and Robert Orr

Body

The dismal performance of Sports Direct International continued Monday, with the sportswear retailer closing at another low. The shares, which listed at 300p in February, ended 3.5 per cent lower at 206lp, unsettled by Friday's profits warning from US rival Foot Locker.

Traders said the shares had also been depressed by a lukewarm research report last week from Merrill Lynch, one of the banks that sponsored its flotation.

In the note, Merrill initiated coverage with a "neutral" rating, cut its profit forecasts by 7.5 per cent and said it had been unable to obtain any clarification or transparency from management on the dynamics of current trading.

The FTSE 100 fell 10.2 points, or 0.1 per cent, to 6,555.5, dragged down by a weak performance from the mining sector. The FTSE 250 struggled to gain 3.8 points to reach 12,037.6.

Market turnover was poor. Although 3.1bn shares changed hands, this was inflated by heavy trading in three Irish stocks, Petroceltic, unchanged at 15p, Waterford Wedgwood preference shares, steady at 0.04, and Ryanair, unmoved at 5.50. This was caused by investors "rolling over" derivative positions to avoid paying Irish stamp duty.

Lonmin was among the biggest fallers in the mining sector, down 3.4 per cent to GBP37.90 after UBS removed the stock from its "buy" list and advised clients to switch into rival Aquarius Platinum, up 0.5 per cent to GBP15.67. Rumoured takeover target Rio Tinto shed 3.5 per cent to GBP35.25, while Antofagasta slipped 2.9 per cent to 536lp and Anglo American lost 2.1 per cent to GBP28.74.

Pearson, owner of the Financial Times, advanced 2 per cent to 908p after UBS upgraded it to "buy". Setting a GBP10.50 target price, analyst Polo Tang said the recent flurry of deals in the media sector in particular Thomson's sale of its education business had set new valuation benchmarks for all of Pearson's assets.

"If we valued Pearson's education assets at 19x 2008 ebitda [the same multiple paid for Thomson's education business], this would imply a valuation of GBP12.30," it said.

ITV eased 0.7 per cent to 118.7p in spite of talk that it could be a takeover target for RTL. Any deal would require the backing of BSkyB, up 1 per cent to 632p. The satellite broadcaster is ITV's biggest shareholder with a 17.9 per cent holding

Analysts also pointed out that a deal would run into regulatory problems unless RTL could find a buyer for Channel 5

Nonetheless, traders believe it should be possible to structure a bid to get round these problems.

Hanson moved up 2 per cent to GBP10.57 on talk HeidelbergCement could offer as much as GBP11 a share for the UK aggregates group.

Britvic, the soft drinks company that makes Tango, was the best performer in the FTSE 250. Its shares rose 4.5 per cent to 371p on renewed hopes of a bid from Permira, the private equity group and 14 per cent shareholder.

A deal to buy the soft drinks business of C&C Group, up 3.5 per cent to 12.4, for 249m also helped the shares.

Abbot Group, the oilfield services company, added 3.9 per cent to 278p on hopes it could be a takeover target for US rival Nabors.

In a note on Friday, Cazenove upgraded its rating on Abbot to "outperform" on the grounds that it was one of the few companies that would give Nabors the international footprint it desires.

"Abbot's premium valuation may be considered a barrier to M&A. In our view this is wrong: we show that an acquisition of Abbot at a 30 per cent premium could still be earnings enhancing for Nabors," Cazenove said, setting a fair value of 320p.

SThree, the IT recruitment consultant, improved 2.8 per cent to 511lp after Kaupthing Singer & Friedlander upgraded its top of the range 2008 estimates by 8 per cent, citing the number of vacancies on IT job websites.

Findel, the home shopping and educational supplies group, rose 1 per cent to 674p on talk that Thursday's results could help its shares, which are down 10 per cent in the past three months.

InterContinental Hotels Group added 1 per cent to GBP12.63 after Ellerman, the investment vehicle of the Barclay Brothers, declared an increased holding of 9.1 per cent.

Load-Date: May 14, 2007

Tourism chiefs face guilt trip on green issues

FT.com

13 May 2007 Sunday 9:21 PM GMT

FINANCIAL TIMES

Length: 605 words

Byline: Roger Blitz in Lisbon

Body

The tourism industry has never had it so good, but its senior executives are feeling strangely guilty about their success and fearful of a green backlash.

Expected to grow by 4.3 per cent a year over the next decade, the industry's bosses are fretting over climate change, worried that flying is seen as the most polluting activity, and falling over themselves to champion schemes that allow the travelling public to go on clocking up air miles.

"There is a real conundrum with how we grow in a way we feel good about," said Andrew Cosslett, the chief executive of InterContinental Hotels Group. "We need to find ways of making people feel very good about how they feel about these things."

Mr Cosslett was in Lisbon at the weekend, along with other hotel, airline and hospitality chief executives attending the annual global travel and tourism summit.

Some wanted to rally governments to provide the infrastructure to meet the demand of the emerging middle classes of China, India and Mexico, who are readying themselves for global travel.

Others were worried about fuel prices, security, visa problems, technological innovation and the armies of hospitality staff needed to cope with demand which, according to the World Travel and Tourism Council, will this year generate about $7bn of economic activity.

But no one could escape the dark shadow of climate change, even though they wished it. "We look at climate change as an image issue," said Armin Meier, chief executive of Kuoni Travel, the luxury tour operator.

Tourism chiefs face guilt trip on green issues

Maurice Flanagan, vice-chairman of Emirates Airline, was quite happy to share his trenchant view that global warming was "an argument". At the World Economic Forum in Davos earlier this year, he said he was taken aback at the way airlines were being "demonised as the cause of all this".

More worrying than the apparent threat to the planet was the real threat to the existence of low-cost carriers such as EasyJet and Ryanair.

"If extremists get their way, thousands and thousands of jobs in travel and tourism will be lost," Mr Flanagan said.

Others were more philosophical. "The debate is over," said Sir Stelios Haji-Ioannou, founder of EasyJet. Airlines had to replace their fleets with modern fuel-efficient engines, he said, "but the replacement process is slow."

Airlines, hotels and other sectors in the industry will in the next couple of weeks pool resources in a public campaign in the UK to demonstrate that they are taking climate change seriously.

They have given up trying to argue the technical niceties of aviation's contribution to carbon emissions. Whether it is 2, 3 or 5 per cent, it has to do something, they have concluded.

"At the end of the day, it is the developer, the capital-provider, who is going to be making the investment decision," said Arthur de Haast, the chief executive of Jones Lang LaSalle Hotels. And the majority of them are still very focused on shareholder returns and maximising those returns," he added.

For all the talk, practical meaningful solutions were little in evidence. It fell to James Russell of the Clinton Global Initiative to tell the industry what was expected of it.

"Don't be an Exxon," he told the airlines, "work out what you can do to drive down energy consumption. Travel agents should push hotels for carbon disclosure."

"The message to chief executives is that perceptions are changing and you have between 12 and 24 months to get on that route."

How much and for how long is arguable. "It's flavour of the month," said Charles Petruccelli, the president of global travel services at American Express. "The problem will realise its way beyond the industry soon."

Load-Date: May 13, 2007

Tourism chiefs face guilt trip on green issues

FT.com

13 May 2007 Sunday 9:21 PM GMT

Length: 605 words

Byline: Roger Blitz in Lisbon

Body

The tourism industry has never had it so good, but its senior executives are feeling strangely guilty about their success and fearful of a green backlash.

Expected to grow by 4.3 per cent a year over the next decade, the industry's bosses are fretting over climate change, worried that flying is seen as the most polluting activity, and falling over themselves to champion schemes that allow the travelling public to go on clocking up air miles.

"There is a real conundrum with how we grow in a way we feel good about," said Andrew Cosslett, the chief executive of InterContinental Hotels Group. "We need to find ways of making people feel very good about how they feel about these things."

Mr Cosslett was in Lisbon at the weekend, along with other hotel, airline and hospitality chief executives attending the annual global travel and tourism summit.

Some wanted to rally governments to provide the infrastructure to meet the demand of the emerging middle classes of China, India and Mexico, who are readying themselves for global travel.

Others were worried about fuel prices, security, visa problems, technological innovation and the armies of hospitality staff needed to cope with demand which, according to the World Travel and Tourism Council, will this year generate about $7bn of economic activity.

But no one could escape the dark shadow of climate change, even though they wished it. "We look at climate change as an image issue," said Armin Meier, chief executive of Kuoni Travel, the luxury tour operator.

Tourism chiefs face guilt trip on green issues

Maurice Flanagan, vice-chairman of Emirates Airline, was quite happy to share his trenchant view that global warming was "an argument". At the World Economic Forum in Davos earlier this year, he said he was taken aback at the way airlines were being "demonised as the cause of all this".

More worrying than the apparent threat to the planet was the real threat to the existence of low-cost carriers such as EasyJet and Ryanair.

"If extremists get their way, thousands and thousands of jobs in travel and tourism will be lost," Mr Flanagan said.

Others were more philosophical. "The debate is over," said Sir Stelios Haji-Ioannou, founder of EasyJet. Airlines had to replace their fleets with modern fuel-efficient engines, he said, "but the replacement process is slow."

Airlines, hotels and other sectors in the industry will in the next couple of weeks pool resources in a public campaign in the UK to demonstrate that they are taking climate change seriously.

They have given up trying to argue the technical niceties of aviation's contribution to carbon emissions. Whether it is 2, 3 or 5 per cent, it has to do something, they have concluded.

"At the end of the day, it is the developer, the capital-provider, who is going to be making the investment decision," said Arthur de Haast, the chief executive of Jones Lang LaSalle Hotels. And the majority of them are still very focused on shareholder returns and maximising those returns," he added.

For all the talk, practical meaningful solutions were little in evidence. It fell to James Russell of the Clinton Global Initiative to tell the industry what was expected of it.

"Don't be an Exxon," he told the airlines, "work out what you can do to drive down energy consumption. Travel agents should push hotels for carbon disclosure."

"The message to chief executives is that perceptions are changing and you have between 12 and 24 months to get on that route."

How much and for how long is arguable. "It's flavour of the month," said Charles Petruccelli, the president of global travel services at American Express. "The problem will realise its way beyond the industry soon."

Load-Date: May 13, 2007

Ryanair launches European price war

FT.com

9 May 2007 Wednesday 11:28 PM GMT

Length: 369 words

Byline: Kevin DoneAerospace Correspondent

Body

Ryanair on Wednesday launched its "latest price war across Europe", offering up to 3.5m seats at GBP10 one-way including tax in a drive to fill its seats in the face of a softer market.

The price battle has already been joined by EasyJet, where Andy Harrison, chief executive of Ryanair's closest low-cost rival, said on Wednesday that the group had reduced many of its lead-in fares and increased promotional activity in order to "sustain high load factors in weaker market conditions".

Michael O'Leary, chief executive of Ryanair, the third largest short-haul carrier in Europe after Air France-KLM and the Lufthansa group admitted the offensive would depress airline yields and airfares across Europe.

Ryanair mounts regular discounted fare promotions, but Mr O'Leary said this would be its biggest seat sale with 10m seats on offer for the next four months at one-way prices from GBP10 to GBP20 including taxes. About 3.5m seats, or 16 per cent of capacity, would be available for GBP10 including taxes. "People will just be flying for Gordon Brown's air passenger duty," he said.

APD on short-haul economy fares in the UK was doubled to GBP10 per departing passenger in February. Ryanair is also falling into line with a recent instruction from the Office of Fair Trading to quote fares inclusive of taxes and charges.

The EasyJet share price dropped sharply for the second successive day yesterday in response to the reports by several airlines of a softer market, declining by 5.3 per cent, or 33lp, to close at 598p. The price fell by 7.1 per cent on Tuesday and has fallen by 18 per cent in three weeks from the all-time high of 732p.

Ryanair launches European price war

EasyJet has been one of the biggest casualties among airline stocks, but the Ryanair share price has fallen by 14 per cent in the past two-and-a-half weeks.

The two carriers have warned that yields, or average fares, were expected to continue to fall during the summer months in the face of tough competition.

In a further indication of weakening air travel demand BAA, the UK airports operator, said yesterday that passenger numbers in April at its seven UK airports had fallen by 1.6 per cent year-on-year to 12.2m, including a 2.2 per cent fall at its three London airports.

Load-Date: May 9, 2007

EasyJet inherits a credibility problem

FT.com

9 May 2007 Wednesday 11:28 PM GMT

Length: 916 words

Body

Investors did not trust EasyJet when it denied it would follow rival Ryanair and issue a profit warning in 2004. They were vindicated when a profit warning ensued. No wonder investors are taking the low-cost airline's latest reassurances about its business with a pinch of salt.

Downbeat comments from many of Europe's low-cost carriers has savaged share prices across the sector in the past week. EasyJet has been badly hit. Its stock has fallen 17 per cent. Much of the decline happened on Wednesday, when it said current trading was a little softer than envisaged.

Yet EasyJet has stressed that it still expects to lift pre-tax profits by at least 40 per cent this year a target in place since November.

When a company's shares fall this rapidly, the market is signalling that it expects a full-blown profit warning before long. That is forgivable given EasyJet's history. Investors saw 25 per cent wiped off the company's market value three years ago when it eventually admitted it was experiencing similar challenges to Ryanair. EasyJet has been under new management since December 2005, but the team seems to have inherited the old credibility problem.

The reality is that the airline industry is cyclical and a downturn is probably due about now, according to research by JPMorgan. EasyJet flagged six months ago that it would encounter headwinds later in 2007. And it always faced demanding comparisons against the impressive performance it turned in last year. Up to now, investors have ignored these signs that the business might slow, preferring to buy the shares on momentum.

The penny has now dropped that conditions are deteriorating and it is echoing loudly round the stock market. Whether or not EasyJet ends up issuing the rumoured profit warning, an avalanche of good news from the sector looks unlikely this year. Against that backdrop, it is hard to see the sector's upward momentum of the past two years continuing. If momentum is not travelling upwards, that probably means it will go the other way.

EasyJet inherits a credibility problem

Boots on both feet

Shareholders in Alliance Boots might think that the GBP11bn takeover offer by Kohlberg Kravis Roberts is an opportunity for a clean exit at a decent price. If so, they should be aware of the risk that they could unwittingly become investors in the buy-out too.

KKR and Stefano Pessina, the company's deputy chairman, are contributing only about 60 per cent of the equity in the proposed deal. The rest will be syndicated to other investors.

Were this a conventional equity placing in the stock market, it would be a pretty sizeable transaction. The proposed deal values the equity at GBP1.4bn. Only four UK share placings have been bigger than that in the past three years, according to Thomson Financial. The placing would encounter resistance because the syndicating banks would be trying to flog the company back to fund managers who had just sold out. This was a problem encountered by 3i when it placed shares in its infrastructure fund in March. The fund contained an investment in AWG, which stock market investors had exited months earlier at a lower valuation.

Of course, the difference with Alliance Boots is that the equity will be unlisted. That means the syndicating banks will be looking to sell it to investors who would not previously have held the company's listed shares for example, private-equity fund managers.

The snag is that the ultimate owners of those private equity portfolios could also include pension funds, which have been increasing their exposure to private equity in recent years. So it is plausible that the Alliance Boots equity will end up back in some pension schemes whose public equity fund managers sold their Alliance Boots stock to KKR's takeover bid.

If that happens, those funds will in effect be buying the company off themselves less the fees being paid to the many middlemen involved in this deal.

Booker's back

It is not often that a private company with GBP3bn of sales lands on Aim via a reverse takeover. In spite of the favourable reception enjoyed by Booker on Wednesday, this clever little deal looks likely to be a one-off.

The transaction sees Booker acquire a smaller food wholesale rival, Blueheath, with which it has commercial synergies. It also obtains a stock market listing. This provides Booker's multiple owners with the option to sell down their holdings unilaterally as they please.

None of Booker's existing investors are exiting just yet. This means they still have a chance of selling the company to a trade buyer or even a private firm. In the meantime, they get to enjoy the benefits of integrating Blueheath. If no takeover bids emerge, there is also the option of taking the company up to London's main stock market although that would require investors to sell down their holdings to increase the free float.

It all sounds so neat. So why are reverse takeovers by private companies of Aim stocks so rare? Probably because there is a shortage of suitable targets. The Aim company needs to be suitably bite-sized. It also needs to be a genuinely good fit. There is no advantage in a private company buying an Aim company with which it has few synergies just to pinch the listing.

So full marks to Booker for spotting the moment to pounce on Blueheath. But Aim-listed companies looking to be bought at a premium should not get too excited. If they want to fetch a good price, they will still have to make a case on the merits of their business, rather than their listing.

chris.hughes@ft.com

Load-Date: May 9, 2007

EasyJet faces tough summer

FT.com

9 May 2007 Wednesday 2:42 PM GMT

Length: 563 words

Byline: Kevin Done, Aerospace Correspondent

Body

EasyJet, the leading UK low cost airline, on Wednesday more than halved its seasonal first half loss and maintained its previous forecast for a rise of 40 to 50 per cent in full year profits.

The airline repeated its warning, however, that it was facing "weaker market conditions." It said that for the busy summer months from April to September, when it generates its profits, it had reduced many of its lead-in fares and had increased its promotional activities in order to fill its aircraft. The shares fell a further 25lp, or 4 per cent, to 606p.

In recent days airline share prices have fallen sharply in response to warnings from several carriers including EasyJet, Ryanair, Air Berlin and British Airways, of a "softening" in demand and increased competition.

EasyJet said it had cut its seasonal first half loss for the six winter months from October to March from GBP40m to GBP17m, thanks to higher revenues and reduced costs per seat.

Total revenues per seat had increased by 84p per seat while costs excluding fuel had been reduced by 57p per seat.

The airline has succeeded in driving up its ancillary revenues led by higher commission earnings from car rental, hotel bookings and travel insurance sales via its website, when passengers are booking their flights. Ancillary revenues rose by 18 per cent in the first half to GBP3.81 per seat.

Costs are being driven down thanks to lower maintenance expenses, as EasyJet replaces its older aircraft, and due to lower charges and handling costs at some airports.

EasyJet faces tough summer

After the big increase in the price of oil in the last two years EasyJet said that in the six months its unit fuel costs were "largely flat" in the first half year-on-year and unit fuel costs for the full year to September were forecast to be "slightly down year-on-year."

While EasyJet warned of pressure on yields or average fares this summer, the second half of its financial year, it said that passenger revenue per seat had risen slightly in the first half by 0.8 per cent.

EasyJet turnover increased by 14 per cent to GBP719m, while passenger numbers rose by 11 per cent to 16m.

The airline, which began flying in 1995, launched 16 more routes in the first half bringing the total network to 292 routes and 75 airports, as it became the fourth largest airline in Europe.

It opened its 17th base in Madrid in February, where it has already built a network of 18 routes and expects to carry more than 2m passengers to and from the city in the next 12 months. Easyjet increased its capacity in Switzerland, where it has bases in Geneva and Basel, by 17 per cent in the first half.

The overall increase in capacity is set to accelerate during the summer months with available seats due to rise by 15 per cent in the full year.

EasyJet is increasingly seeking to differentiate itself from Ireland's Ryanair, the leading European low cost carrier, by promoting its brand as "low cost with care and convenience," although the Irish carrier claims that it is still the European leader both in punctuality and the least number of misplaced bags.

During the first half Easyjet said that it had recruited more than 400 pilots and 900 cabin crew to support the airline's growth and in an effort to ensure that it can avoid the disruptions to operations this summer that were suffered last year, when it had a shortage of crews and had to charter in expensive outside capacity.

Load-Date: May 9, 2007

First Choice, Tui offer to sell Irish unit

FT.com

4 May 2007 Friday 2:10 PM GMT

FINANCIAL TIMES

Length: 318 words

Byline: Roger Blitz, Leisure Industries Correspondent

Body

First Choice and Tui said on Friday morning they were ready to sell one of their Irish businesses in order to avoid a monopoly arising from their proposed merger, ahead of a ruling later today from the European Commission on consolidation in the package holiday industry.

The companies, who are planning on creating a London-listed plc with an enterprise value in excess of GBP4bn ($8bn), said the issue of potential dominance in Ireland was raised on Thursday at a meeting with the commission's competition case team.

They agreed to consider specific undertakings to address the issue, "including the potential sale of one of their Irish businesses", and said they remained confident their merger would be cleared.

The agreement has put back the commission's deadline for considering their merger by 10 working days to June 4 at the latest.

The industry is waiting for today's ruling from the commission's competition team on the other major proposed merger, that between Thomas Cook and MyTravel which would also list in London and which would be valued at about GBP2.9bn.

The two mergers have raised questions whether the commission will be comfortable about Europe's top four players in the industry reduced to two.

The commission last examined competition issues in the industry in 1999, when MyTravel then called Airtours and First Choice tried to merge. The commission blocked the deal, although the ruling was later overturned in court.

The companies argue that the tour operator market has been revolutionised in the last seven years as a result of competition from low-cost airlines such as Ryanair and travel companies like Expedia selling travel packages on the internet.

Mark Brumby, analyst with Blue Oar Securities, said First Choice was attempting to head off the commission and the extension was a technical move. "It should ease the process," Mr Brumby said.

First Choice shares rose 13p to 323p.

Load-Date: May 4, 2007

AirAsia to take off in low-cost, long-haul flights

FT.com

24 April 2007 Tuesday 5:09 AM GMT

FINANCIAL TIMES

Length: 496 words

Body

Tony Fernandes, chief executive of AirAsia, the leading Asian low-cost airline, is planning return fares for routes between Europe and Malaysia at GBP130-GBP170 ($260-$340) when he launches the world's first low-cost long-haul scheduled carrier since Freddie Laker's UK ill-fated Skytrain and the US Peoplexpress ventures 30 years ago.

The pioneering venture, which will be followed closely by global network carriers fearful of the threat such start-ups could pose to their traditional businesses, was aiming at fares 50 per cent to 60 per cent below the lowest offered by other airlines, Mr Fernandes told the Financial Times on Monday.

Michael O'Leary, chief executive of Ryanair, the leading European low-cost short-haul carrier, said two weeks ago that he was considering launching a similar venture between Europe and the US in three to four years.

"Someone will do the Pacific to North Asia and Europe to the US," said Mr Fernandes, "and passengers will be able to connect themselves to local short-haulairlines. You don't need formal links."

Plans for the long-haul business were announced on Monday in Kuala Lumpur with the start planned for late this year or 2008, depending on the availability of leased aircraft.

For its long-term development, the venture said it had chosen the Airbus A330-300 in preference to the Boeing 777. It said it was placing a firm order to buy 10 A330-300s with options on a further five. Deliveries would start in the fourth quarter of 2008.

Mr Fernandes, a former music industry executive who started Asia's first short-haul low-cost carrier in 2001, said the long-haul venture could be flying 10mpassengers a year within five years with a fleet of 26 aircraft.

AirAsia to take off in low-cost, long-haul flights

The airline, which will be based in the Malaysian capital, would develop a network of medium and long-haul routes to China, India, the Middle East, Australia, Japan, Korea and Europe, including London Stansted, Europe's biggest centre for low-cost operations.

The duration of flights would be in the range of four and 12 hours with an average of about seven hours. "Medium-haul in Asia is the sweet spot," said Mr Fernandes.

The launch route is expected to be to Australia with Europe to follow within six months.

The airline would offer a single-class product with many of the classic features of established short-haul low-cost carriers, including food and drinks purchased on board and pay-for-use in-flight entertainment.

Mr Fernandes said that$20m had already been raised in a first funding round with himself and three other AirAsia executives included as investors. Credit Suisse was working on a second funding round through a private placement.

Where possible, the venture would use cheaper secondary airports, and preferably locations already well-served by regional low-cost carriers, such as London Stansted, so that long-haul travellers could make their own connections by local short-haul carriers.

"We will strive to make Malaysia the world's biggest low-cost hub," he said.

Load-Date: April 24, 2007

JetBlue ponders in-flight text messaging

FT.com

23 April 2007 Monday 11:00 PM GMT

FINANCIAL TIMES

Length: 323 words

Byline: Doug Cameron in Chicago

Body

JetBlue is examining the potential for in-flight text messaging, highlighting efforts by US carriers to exploit on-board communications as a way to boost revenues and differentiate their service.

David Neeleman, JetBlue founder and chief executive, shares the misgivings of many US airline executives about the on-board use of mobile phones for voice calls, but said text communications could prove attractive.

JetBlue was the first US carrier to offer live television on its aircraft, and bought additional radio spectrum in a federal auction this year which could be applied to launch the US first in-flight texting service.

European carriers are at the forefront of introducing mobile phone technology, with Air France-KLM due to start a six-month trial on short-haul routes, while Ryanair has announced plans to equip all of its aircraft to allow mobile phone use.

Southwest Airlines, the largest domestic carrier in the US, last week said it was exploring in-flight wireless access as part of its own shift away from a "no-frills" business model. This comes at a time when network carriers such as Delta are narrowing the expense gap with low-cost rivals after restructuring under bankruptcy protection.

JetBlue's assessment comes as the carrier seeks to rebuild its popular following among travellers after a series of delays and cancellations in February prompted Congressional hearings into airline service standards.

Mr Neeleman, who apologised again at a House hearing last week, has received plaudits for accepting responsibility for the problems, which will see the carrier report a first-quarter loss today.

JetBlue responded with a passenger "bill of rights" offering a sliding scale of payments and refunds for delays deemed to be in the carrier's control. But Mr Neeleman and fellow airline CEOs have rejected calls for a federally-mandated passenger charter, arguing the proposals would add to delays and compromise operations.

Load-Date: April 23, 2007

AirAsia to launch low-cost Europe-Asia carrier

FT.com

21 April 2007 Saturday 12:10 AM GMT

Length: 696 words

Byline: Kevin Done in London

Body

Tony Fernandes, chief executive of AirAsia, the leading Asian low cost airline, is planning return fares for routes between Europe and Malaysia in the range of GBP130 to GBP170, when he launches the world's first low cost long-haul scheduled carrier since Freddie Laker's ill-fated Skytrain in the late 1970s.

The pioneering venture, which will be followed closely by the global network carriers fearful of the threat such start-ups could pose to their traditional businesses, was aiming to be 50 to 60 per cent below the lowest fares offered by other airlines, Mr Fernandes said in an interview with the FT.

Michael O'Leary, chief executive of Ryanair, the leading European low cost short-haul carrier, said last week that he was considering the launch of a similar venture beween Europe and the US within three to four years.

"Someone will do the Pacific to North Asia and Europe to the US," said Mr Fernandes, "and passengers will be able to connect themselves to local short-haul airlines. You don't need formal links."

Detailed plans for the long-haul business will be announced on Monday in Kuala Lumpur with the launch planned lor late this year or 2008 depending on the availability of leased aircraft. New aircraft, expected to be the Airbus A330-300, chosen in preference to the Boeing 777, would start to be delivered from September 2008.

Mr Fernandes, a former music industry executive, who started Asia's first short-haul low cost carrier in 2001, said the long-haul venture could be flying 10m passengers a year within five years with a fleet of 26 aircraft.

The airline, which will be based in the Malaysian capital, would develop a network of medium and long-haul routes to China, India, the Middle East, Australia, Japan, Korea and Europe including London Stansted, Europe's biggest centre for low cost operations.

The duration of flights would be in the range of four to 12 hours with an average of around 7 hours. "Medium-haul in Asia is the sweet spot," said Mr Fernandes. The launch route is expected to be to Australia with Europe to follow within six months.

The airline would offer a single class product with many of the classic features of the established short-haul low cost carriers including food and drinks purchased on board, with the option of pre-ordering via the internet, and pay-for-use inflight entertainment.

Mr Fernandes said the long-haul business would be run as a separate operation from the existing AirAsia short-haul network and would have a separate investor base and management team.

He said that$20m had already been raised in a first funding round with himself and three other Air Asia executives included as investors. Credit Suisse was working on a second funding round through a private placement.

The long-haul venture would be "ring-fenced" from the short-haul operations but they would "meet through the brand and the website."

The international reach of the AirAsia brand is already being extended through sponsorship deals with Manchester United and the Williams Formula One racing team.

Mr Fernandes is expected to announce that the venture is ordering up to 20 A330-300 jets from Airbus in a combination of firm orders and options following a selection contest against the Boeing 777.

The aircraft will have between 350 and 400 seats in a single cabin with a 31 inch seat pitch, slightly more space than the 29 inch pitch on the group's short-haul Airbus A320 jets, and would include two to three rows with more legroom, where passengers would pay a surcharge.

The choice of aircraft will mean that services to Europe, which are expected to include London Stansted among the destinations, will require a stopover in the Middle East, possibly in Bahrain, for refuelling.

Where possible the venture would use cheaper secondary airports, and preferably locations already well-served by regional low cost carriers, such as London Stansted, so that long-haul travellers could make their own connections by local short-haul low cost carriers.

The rapidly growing short-haul AirAsia network could play this role in Asia from the Kuala Lumpur base, but Mr Fernandes ruled out any costly and complex interlining and connecting baggage links.

Load-Date: April 21, 2007

Southwest seeks new sources of revenue

FT.com

20 April 2007 Friday 2:11 AM GMT

Length: 427 words

Byline: Doug Cameron in Chicago

Body

Southwest Airlines, which provided the template for low-cost carriers, on Thursday announced a three-year transformation plan to deal with the "permanent" increase in fuel prices.

Dallas-based Southwest is the largest and most efficient US passenger carrier. Its plan to find new revenue sources could widen the competitive gap which network carriers such as Delta and United have closed after years of restructuring.

Southwest on Thursday reported its 64th straight quarter of profitability, a record unmatched in the industry, but will experiment with measures which could alter the "keeping it simple" business model emulated by carriers such as Ryanair and Easyjet in Europe, and AirAsia. The airline, which insisted that it was not interested in a leveraged buy-out, is losing the edge it had over rivals as fuel hedging contracts start to unwind.

Southwest was one of the few carriers able to buy protection during the ramp-up in fuel prices in 2004, which have pushed up unit costs at the airline by a third over the past three years. The plans outlined by Gary Kelly, chief executive, borrow heavily from measures introduced by Ryanair and others, driving more non-flying revenue such as hotel bookings from its website, and charging passengers for a broader array of services, including the potential for in-flight wireless access.

Southwest's efficiency and ability to set prices in the US market reflects a strategy which eliminates many of the complexities of rivals. It uses a single aircraft type, with no assigned seating or on-board food, except peanuts.

Mr Kelly said a business operating almost 500 aircraft and carrying 21m passengers last year had "hidden assets" which would allow it to boost average revenues. These include carrying more cargo, looking at the potential of international flights and alliances with other carriers,and providing in-flight internet services.

The efforts to create a more competitive Southwest which continues to expand into more of the network carrier's core domestic markets comes as its rivals recover from the heavy losses suffered since 2001, most of them after a bankruptcy process which eliminated more than 120,000 jobs. While the industry expects to move into profit this year, after effectively breaking even in 2006, executives warned this week that overcapacity could threaten their ability to sustain higher earnings and rebuild battered balance sheets.

Mr Kelly declined to comment on LBO speculation but said he opposed any move which would leverage Southwest's balance sheet up to the levels of rivals.

Load-Date: April 20, 2007

Fuel prices spur Southwest transformation plan

FT.com

19 April 2007 Thursday 11:58 PM GMT

Length: 343 words

Byline: Doug Cameron in Chicago

Body

Southwest Airlines, which provided the template for a global explosion in low-cost carriers, on Thursday announced a transformation plan to deal with the "permanent" increase in fuel prices.

Dallas-based Southwest is the largest and most efficient US passenger carrier, and its plan to find new revenue sources from passengers could widen a competitive gap which so-called legacy carriers have closed after years of restructuring.

Southwest reported its 64th straight quarter of profitability a record unmatched in the industry but will experiment with a range of measures which could alter the "keeping it simple" business model emulated by carriers such as Ryanair and Easyjet in Europe, and AirAsia.

The plans outlined by Gary Kelly, chief executive, borrow heavily from measures introduced by the likes of Ryanair, driving more non-flying revenue from its website, and charging passengers for a broader array of services.

Southwest's efficiency and ability to set prices in the US market reflects a strategy which eliminates many of the complexities of rivals such as American and United. It uses a single aircraft type, with no assigned seating or on-board food service bar its famous peanuts.

Mr Kelly said a business operating almost 500 aircraft and carrying 21m passengers last year had "hidden assets" which would allow it to boost average revenues. These include carrying more cargo, considering international flights and alliances with other carriers, and providing in-flight internet services. Ryanair last week announced plans to start transatlantic services by the end of the decade.

The potential for a more competitive Southwest comes just as the large network carriers start to recover from the heavy losses suffered since 2001, most of them after a bankruptcy process which eliminated more than 120,000 jobs.

While the industry expects to move into profit this year after effectively breaking even in 2006 executives this week warned that overcapacity could threaten their ability to sustain higher earnings and rebuild battered balance sheets.

Load-Date: April 20, 2007

American's Arpey warns of excess air capacity

FT.com

18 April 2007 Wednesday 11:24 PM GMT

FINANCIAL TIMES

Length: 430 words

Byline: Doug Cameron in Chicago

Body

American Airlines on Wednesday warned that US domestic capacity had started to creep up in a move which could damage the industry's fragile recovery from five years of heavy losses.

Overcapacity in the wake of the September 11 attacks and the rapid expansion of low-cost rivals left the largest US airlines embroiled in a fierce price war which drove most into bankruptcy protection and a restructuring process which is just nearing completion.

Gerard Arpey, American's chairman and chief executive, said capacity had started to creep up again in the domestic market following a period of discipline which had helped carriers regain pricing power.

"There's more capacity growth domestically than GDP growth would suggest there should be," he said as the carrier reported its first profit in the seasonally-weak first quarter since 2000.

However, the growth in a closely-watched measure of average domestic revenue slowed to 4.5 per cent in the three months to March 31, signalling that the supply-demand balance is becoming less favourable.

Analysts expect the big seven legacy carriers, led by American, to have flat domestic capacity growth this year, though low-cost rivals such as Southwest and AirTran are expected to grow by more than 10 per cent.

The market could see two new entrants this year Skybus and Virgin America - but Mr Arpey said American was better positioned to respond to fiercer competition after introducing cost-saving and revenue-generating initiatives, a sentiment shared by executives at other legacy carriers which unlike American were forced to seek bankruptcy protection.

Mr Arpey also said the arrival of low-cost carriers in transcontinental markets was "inevitable", referring to last week's announcement by Ryanair that Europe's largest low-cost carrier planned to enter the transatlantic market.

"We have a lot of strengths as well," he said, noting that American would apply its experience of competing with US low-fare leaders like Southwest in the domestic market and be "very aggressive from the get-go".

America's strength in services from the US to Europe and Latin America has also seen it closely monitor the potential fate of Iberia. The Spanish flag carrier is its partner in the oneworld alliance, alongside British Airways, and is the subject of a potential bid from a private equity-led consortium. A sale could see Iberia leave oneworld, particularly if Lufthansa which heads the rival Star alliance enters the fray.

"We would very much like to remain Iberia's partner," said Mr Arpey. But we can work our way through any eventuality."

Load-Date: April 19, 2007

Low-cost airlines set to tackle long-haul carriers

FT.com

15 April 2007 Sunday 7:21 PM GMT

FINANCIAL TIMES

Length: 445 words

Byline: Kevin Done in London

Body

The long-haul network airlines are being challenged in unprecedented fashion by new aviation business models.

The upstart breed of low-cost carriers has made inroads into the traditional airlines' short-haul markets, capturing a growing share and forcing legacy carriers to restructure drastically their operations to survive.

The attack in the long-haul sector has taken longer to materialise, but challengers are now stepping forward, a development that could drive the aviation industry into an era of wrenching change.

The gauntlet has been thrown down first in the business-class segment of the market, where the legacy carriers make the lion's share of their profits.

Eos Airlines and Maxjet began flying 18 months ago in the London-New York market and have been followed early this year by Silverjet, a UK start-up on the same route, and by L'Avion flying between Paris and New York.

The London-New York route is the test bed for the latest aviation experiments, because it is the world's busiest and most lucrative long-haul market with more than 4m passengers a year.

For several years, airlines have shied away from trying to make the low-cost airline business model work on long-haul routes.

Analysts have argued that passengers need costly in-flight service "frills" for routes taking many hours, and some of the key operating factors in the short-haul model, such as quick airport turnrounds are much tougher to achieve in long-haul.

Equally, bargain basement fares are already available from the legacy carriers themselves.

The conventional wisdom is set to be challenged, however, most notably by two of the world's most successful low-cost aviation entrepreneurs, Tony Fernandes, chief executive of Malaysia's Air Asia, and Michael O'Leary, chief executive of Ireland's Ryanair.

Mr O'Leary says his transatlantic assault could be launched in the next three to four years, while Mr Fernandes hopes his AirAsia X could take off before the end of the year.

Both entrepreneurs insist they will set up separate companies to run the budget long-haul operations. Mr O'Leary said last week: "The minute you put a long-haul business on top of a short-haul operation you kill it."

There is still scepticism that economy long-haul carriers can be viable, however.

"Long-haul already has budget fares," said Lawrence Hunt, founder of Silverjet. "Eighteen pounds per passenger per hour is already the average of the lowest [transatlantic] economy fares, which is slightly lower than Ryanair's average on short-haul routes in Europe.

"If he is going to be offering GBP7 seats, he is going to be offering GBP7 service, which is untenable on long-haul flights lasting several hours."

Load-Date: April 15, 2007

Ryanair mulls going long-haul

FT.com

12 April 2007 Thursday 5:42 PM GMT

Length: 639 words

Byline: Kevin Done in London

Body

Ryanair, Europe's leading low cost airline, is considering the launch of low fare long-haul transatlantic services within three to four years in a move that could pose a serious competitive threat to the established European and US long-haul carriers.

A Ryanair spokesman said such an operation would be run separately from the Irish group's existing European short-haul business but would fly from some of its existing bases around Europe to secondary airports in the US.

The launch of such a venture has been made possible by the recent "open skies" accord between the US and the European Union to liberalise transatlantic air services.

The treaty is due to come into operation from the end of March next year and will for the first time enable an EU airline to fly from any point in the EU to any point in the US.

Disclosure of the Ryanair plan on Thursday by Michael O'Leary, chief executive, in an interview with Flight International, a leading aviation magazine, follows only a day after the UK subsidiary of Zoom Airlines, a small Canadian carrier, announced the launch in June of the first low fare long-haul economy class service between London and New York. One-way fares will start from GBP129 ($255, 190) including taxes and charges.

Several other low cost short-haul airlines around the globe are also making moves into long-haul markets including Virgin Blue in Australia, which is planning transpacific services to the west coast of the US.

Tony Fernandes, founder of Malaysia's Air Asia, is planning the launch of a separate long-haul carrier AirAsia X flying from Kuala Lumpur to Europe, China and the US, while Germany's Air Berlin is venturing into long-haul markets for the first time through its recent acquisition of LTU, the German charter carrier.

Ryanair mulls going long-haul

A start-up long-haul carrier, Oasis Hong Kong Airlines, began low fare flights between Hong Kong and London Gatwick last October and is adding services between Hong Kong and San Francisco-Oakland and Vancouver later this year.

The potential shake-up of the budget end of the long-haul market follows parallel moves to transform the business class sector in the last two years with the pioneering launch of several start-up all-business class carriers across the North Atlantic led by Eos Airlines, Maxjet and Silverjet.

EasyJet, Ryanair's leading European rival, on Thursday ruled out a move into long-haul operations. "We have never seriously considered doing this," said Toby Nicol, communications director. "We are completely committed to the short-haul, point-to-point low cost model.

Mr O'Leary said that transatlantic fares could start from as little as 10 one way. Extra revenues would be generated from the sale of inflight food, drink, duty-free goods and entertainment. The new airline would also have a "premium class" cabin.

Mr Nicol said, however, that "the sort of fares being talked of are cloud cuckoo land. You cannot even fly Ryanair in Europe for 10." From the UK the air passenger duty alone would be GBP40 per departure in long-haul economy.

Mr O'Leary said that Ryanair's long-haul carrier could buy a fleet of up to 50 Airbus A350s or Boeing 787s.

The low cost airlines led by Ireland's Ryanair and EasyJet of the UK have already revolutionised short-haul aviation in Europe by being the first to exploit the liberalisation of the internal EU market with the development of a network of operating bases around Europe.

Unlike at the traditional carriers such as British Airways, Air France-KLM and Lufthansa, a rapidly growing share of Ryanair and EasyJet's routes in Europe do not touch their home countries.

The model proposed by Ryanair could pursue a similar approach across the North Atlantic by linking several of its 19 existing bases across Europe, which are chiefly in the UK, Italy, Spain, Germany and Ireland, to destinations across the US.

Load-Date: April 12, 2007

An unfair cop in this case for BA

FT.com

4 April 2007 Wednesday 8:47 PM GMT

Length: 669 words

Body

Mudlark is not a "fly-the-flag" sort when it comes to choosing airlines, so, therefore, not a particular partisan of British Airways.

The corporate arrogance of 20 years ago, especially as manifested in attitudes towards British Caledonian and Laker Airways, was compounded by its stingy attitude on frequent-flyer miles except on full fares.

So other airlines were rewarded with loyalty, and habits are hard to break.

But BA's latest bad publicity as loss-leader for luggage in 2006 European league tables has a certain injustice about it.

Even though most media accounts gave the ranking some context, damning headlines do their damage.

Why do the league tables need to be deconstructed?

The rules by which they are drawn up always put BA at a disadvantage: 2006, from August on, was a year in which UK airports especially Heathrow had to operate under conditions unlike others in Europe and BA's UK rivals either are not members of the Association of European Airlines, the body that compiles the rankings, or refused to submit figures.

Blame for lost luggage is attributed by "last-carrier responsibility". A hub-based airline such as BA can end up taking the rap for delays caused by short connections on inter-line transfers.

BA says its record for luggage checked in for direct flights is comparable with all other airlines.

New security rules introduced overnight in August also hit BA disproportionately hard. Until then, its 2006 lost-luggage figures were in line with the AEA average.

But even after the initial shambles of August, curbs on liquids and the UK's strictly enforced limit of one carry-on mean that BA is carrying 25 per cent more checked bags than before. More scope for delay or loss, especially on transfer.

The European Union's harmonisation in November of rules about carried-on liquids went only so far.

Other European airports sensibly, in Mudlark's view still allow more than one carry-on bag. This helps to minimise the amount of luggage checked in, and potentially lost or delayed, and avoids John Reid minutes wasted at the baggage carrousel. Unless, that is, the passenger is transferring in the UK, where all but one will have to be checked in during transfer, and the last carrier becomes responsible.

Anyone swayed by lost-luggage figures, moreover, might want to compare BA's with those of other UK airlines. But Ryanair and EasyJet are not AEA members and BMI British Midland and Virgin Atlantic refused to supply theirs.

BA's response has been exemplary, accepting the blame, apologising again to passengers, and saying matters should improve when Heathrow Terminal 5 opens in March 2008.

If you're flying this weekend, travel light.

Fuel for thought

Andrew Dawber, head of new energy at Numis Securities, may be less enamoured with British Airways at the moment.

He and a colleague, Tom Frost, were flying from London City to Madrid on Tuesday when the aircraft filled with smoke and had to land after some hairy moments at a military air base in France.

The problem, it emerged, was oil and aviation fuel leaking from one engine of the Avro RJ100 the revenge of old energy on new? Dawber and fellow passengers extracted themselves from the custody of BA cabin staff after five hours and arranged their own 500 (GBP340) taxi ride to Paris.

The show went on in Madrid, however. Other Numis team members, who had flown from Heathrow, met with a positive outcome a potential investor in one of the firm's renewable energy clients.

Recycling Binns

Peter Binns, a pioneer of City PR, is retiring after nearly 30 years, leaving his latest berth, Adventis Financial PR. Binns and Stanley Cornwall founded Binns Cornwall in 1980.

Early-doors shock

Mark Brumby is back in his stride in his first week at Blue Oar Securities after a three-month post-Oriel Securities break. He opened yesterday's daily log by musing about "correctional electronic impulses" for dogs. "What strength", he wondered, "would be necessary in order to keep the average stockbroker out of the pub at lunch time "

Load-Date: April 4, 2007

Airline's long haul on to the deal table

FT.com

30 March 2007 Friday 7:24 PM GMT

FINANCIAL TIMES

Length: 569 words

Byline: Mark Mulligan in Madrid and Kevin Done in London

Body

Although privatised six years ago, Iberia is still closely associated with the state in the minds of most Spaniards, partly because of the lingering public service mentality of its work force.

But while the airline is still synonymous with tardiness, poor service and summer strikes, most analysts recognise the progress made in recent years in implanting a corporate culture.

This has given it the agility to respond to competition from budget carriers and soaring fuel costs, they say, and makes it especially attractive to a financial sponsor, either alone or together with a trade buyer.

"Iberia has come a long way, but there is still a lot that can be done to improve efficiency and profitability," says Luisa Alemany from the Esade business school in Barcelona.

"A private equity buyer might have the tools to complete the transition and so add value to the company more quickly."

The company's performance has improved steadily over the years, and earnings before interest, tax, depreciation and amortisation is expected to grow 40 per cent over the next three years, according to Merrill Lynch.

The inauguration last year of a new high-capacity terminal at Madrid's Barajas airport has helped Iberia consolidate the Spanish capital as Europe's most important hub for Latin American traffic. Two years ago it overtook Air France-KLM as the leading carrier between the two markets, and today claims market share of about 20 per cent. It has also opened routes to South Africa and the Middle East.

Long-haul business last year accounted for 41 per cent of total revenues, compared with 34 per cent in 2004.

There was a corresponding reduction in the weight of domestic business, where Iberia has been under attack from local start-ups such as Vueling, and aggressive expansion by low-cost carriers.

Both Ryanair and EasyJet have been quick to capitalise on new capacity at Barajas, recently setting up Madrid bases to expand their range of European routes and offer some domestic services. Iberia's response has been to help finance Catair, a Barcelona-based carrier, and plan more cuts to its own domestic routes.

A takeover bid led by TPG of the US will need strong support from Spanish interests, which would need to hold at least 51 per cent of the Iberia equity so as not to jeopardise its status as a Spanish national carrier.

International aviation is still governed by an arcane web of regulations stemming from the 1944 Chicago Convention, which essentially ties an airline's traffic rights to its national ownership, ties that are laid down in bilateral state-to-state treaties.

Reform is slowly under way, but the risk of losing traffic rights lay behind the complicated structure of the deal in early 2004 in which Air France effectively took over KLM, the first acquisition of a European flag carrier by a rival airline.

The same issue explains why Germany's Lufthansa has still not formally taken control of Swiss International Air Lines in spite of the announcement of the deal in early 2005.

The successful precedents set by the Air France-KLM and Lufthansa-Swiss deals suggest, however, that the hurdles can be overcome to allow eventual takeovers by any of the big three European carriers Air France-KLM, Lufthansa or British Airways.

With its existing stake of 10 per cent, two members on the Iberia board and rights of first refusal on a further 30 per cent, BA has first shout to join a TPG-led bid.

Load-Date: March 30, 2007

Air Berlin to begin flights to New York

FT.com

27 March 2007 Tuesday 6:53 PM GMT

Length: 391 words

Byline: Gerrit Wiesmann in Frankfurt

Body

Air Berlin, Europe's third largest budget carrier, is to expand into the long-haul passenger business with the takeover of its loss-making German competitor LTU for about 340m (m$540) including debt.

The group's second big decision since floating on the Frankfurt stock exchange last May is a sign chief executive and part-owner Joachim Hunold sees chances for Air Berlin as the industry consolidates.

It also shows Mr Hunold does not intend to copy bigger rivals Ryanair and Easyjet, focused on Europe: the LTU deal adds routes to New York and Las Vegas to a service he describes as "low-cost with frills".

Mr Hunold said Air Berlin's European network could feed passengers to LTU, with its hub in Dusseldorf and which flies to 79 cities worldwide. The link could save 70-100m by 2008.

"We're becoming something in between a low-cost and a network carrier," Mr Hunold said of a group that started in charter and now says 60 per cent of clients book seat-only, compared with 40 per cent for LTU.

The possibility of cost cuts from the deal cheered investors, even though Air Berlin said it would dilute their holdings by issuing 250m in new shares and a convertible bond to pay for the transaction.

Air Berlin stock was trading 2.2 per cent higher at 16.56 late yesterday in a flat market. The stock is up 40 per cent since last year's IPO.

The Berlin-based airline in August bought airline DBA from entrepreneur Hans Rudolf Wohrl, giving it vital landing rights at Munich airport, Germany's second biggest facility after Frankfurt.

That deal helped Air Berlin raise sales by 30 per cent to 1.57bn last year. Operating earnings reached 64.1m.

Mr Wohrl bought loss-making DBA from its founder British Airways in 2003. He bought LTU three years later with an eye on merging the two only to sell both assets in stages to rival Air Berlin.

In early March, he talked about merging LTU with Condor, a charter airline controlled by German retailer KarstadtQuelle. He said he opted for Air Berlin as it reacted quickly to the offer.

Air Berlin said it would offer joint flights with Condor, cancelling a codesharing agreement with Tuifly, a charter and seat-only carrier owned by German tourism company Tui.

Tuifly said it would "not tolerate a possible monopoly" of Air Berlin, LTU and its ally, Condor. The German cartel office still has to approve both transactions.

Load-Date: March 27, 2007

CORPORATE Domestic carier looks to the east

FT.com

20 February 2007 Tuesday 2:10:43 PM GMT

FINANCIAL TIMES

Length: 693 words

Byline: Katka Krosnar

Body

It was not the most auspicious start to launch an airline in the same week as the September 11 terrorist attacks on the US but SkyEurope, central Europe's first low-cost carrier, has firmly established itself as the region's largest. Founded with $2m seed fund capital and initially operating a single domestic route, the Slovak-based airline operates 79 routes in 19 countries and carried almost 3m passengers in 2006.

But while passenger numbers grew 48 per cent in the past year, it has been a bumpy ride financially and the airline has yet to make a profit, reporting a loss of 57.3m for the past fiscal year, double that of the previous year.

At SkyEurope's modest two-storey headquarters on the motorway close to Bratislava airport, Christian Mandl, its 32-year-old Belgian co-founder and chief executive, insists the airline is on track to climb out of the red.

"In the first few years, it was logical to focus on growth to achieve critical mass but now it's time to slow down slightly and deliver profitability to shareholders," says Mr Mandl.

That profitability will come from boosting the load factor, which at 76 per cent last year lags larger competitors, easyJet and Ryanair, while new aircraft with better fuel efficiency will cut costs. "Every new route requires at least one year to become profitable. If more than half of your routes are new it is difficult for existing ones to compensate," says Mr Mandl.

Unlike other carriers, SkyEurope avoids secondary airports.

"The central Europe market is not mature enough to focus purely on the leisure or business sector. Corporate customers would not accept remote airports and focusing on leisure passengers would expose us to seasonality effects," says Mr Mandl.

CORPORATE Domestic carier looks to the east

In a region where credit card use and internet penetration has yet to reach western levels, SkyEurope has adapted its payment methods accordingly. Passengers can book flights at travel agencies and pay for them in banks.

Faced with mostly small individual markets, the airline established bases in Bratislava, Budapest, Krakow, Warsaw and Prague, adding Vienna next month.

SkyEurope launched a flotation in Vienna and Warsaw in September 2005, followed a year later by a second public offering after which the US-based private equity firm York Capital became the largest shareholder. A rights issue prompted 91 per cent of existing shareholders to subscribe, which reflects confidence in the company, says Mr Mandl.

This year the share price has doubled on media speculation of a takeover, with Niki Lauda, the former Formula 1 racing driver, and Ronny Pecik, an Austrian businessman, who has reportedly acquired a minority stake and even Air Berlin linked to such a move.

Analyst Jan Prochazka of Cyrrus says investors are eagerly awaiting the latest quarter results, which will be the airline's "last chance" to prove reasons for optimism and that losses are not deepening.

Nevertheless, SkyEurope's strongest competition is from buses and trains. Central Europeans fly an average 0.3 times a year, seven times less than their western counterparts. That however offers strong growth potential, particularly with higher-than-EU-average GDP, argues Mr Mandl.

Although a central European airline, Bratislava was a good base after Czechoslovakia's 1993 split stripped Slovakia of a national carrier. It now accounts for 50 per cent of air traffic at Bratislava airport.

The government's decision to cancel the airport's privatisation set back plans to increase its capacity, benefiting SkyEurope by preventing other low-cost carriers from expanding, suggests one analyst.

SkyEurope's domestic flights have linked eastern Slovakia with Bratislava and region-wide mobilised leisure passengers and workers while boosting foreign direct investment and tourism, says Mr Mandl.

Meanwhile, SkyEurope has its sights set further east, to Russia, Ukraine and Turkey.

"Russia has strong economic ties with central Europe and once it joins the World Trade Organisation there will be opportunities to develop the low-cost model. Why compete with established players in the UK when there are large virgin markets crying out for low-cost services " says Mr Mandl.

Load-Date: February 20, 2007

Call for online shopper rights

FT.com

9 February 2007 Friday 4:21:22 AM GMT

FINANCIAL TIMES

Length: 300 words

Byline: Andrew Bounds in Brussels

Body

Shoppers' online rights need to be updated to take advantage of the internet market, the European Commission said on Thursday.

Meglena Kuneva, the consumer protection commissioner, said only 6 per cent of online purchases were cross-border transactions. "Can you imagine how many lost opportunities there are for businesses, especially for small and medium-sized businesses "

She proposed a number of solutions in a green paper that kicks off six months of consultations on Thursday.

Ms Kuneva wants the EU's 27 member states to open up the worldwide web by harmonising basic conditions such as rights to refunds and cooling-off periods during which buyers could return goods. She said common standards could be done by agreement rather than a new directive to replace the eight that are up to 20 years old.

There are plenty of other barriers, such as payment problems and language. Yet a Commission survey showed that worries about a lack of protection ranked higher than language.

A spokeswoman for Ms Kuneva said only a handful of companies such as Ryanair, the low-cost airline, had successfully built a pan-European booking network on line.

"Without one set of standards across the bloc, innovative businesses will not expand across borders and attract customers."

Not all businesses are in favour of common standards. The BDI, the German industry federation, is worried about an idea in the green paper to reverse the burden of proof for faulty goods in the customer's favour. Producers could also face greater liabilities.

Jim Murray, director-general of the Bureau of European consumers, said the move should lead to improved consumer rights. But he added: "We hope too that the review will draw attention to extent to which the acquis [law] is enforced (or not) by the member states at national level."

Load-Date: February 9, 2007

Ryanair expands in Germany

FT.com

7 February 2007 Wednesday 11:21:19 AM GMT

FINANCIAL TIMES

Length: 434 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, Europe's leading low cost airline, is intensifying the competitive battle in the German aviation market by opening a third German base at Dusseldorf Weeze.

The airport is located about 70km north-west of Dusseldorf near the Dutch border. It was a Royal Air Force base until 1999 and began civilian operations in 2003.

The expansion in Germany is taking the Irish operator into increasing competition with Lufthansa and its low cost subsidiary Germanwings, Air Berlin and EasyJet.

Germanwings has its main base at Cologne-Bonn airport with further bases in Stuttgart, Berlin and Hamburg and is seeking to develop a broad presence in its home market to counter the expansion by foreign carriers led by Ryanair and EasyJet, the UK no frills operator, which already has bases in Berlin and Dortmund.

Ryanair's Dusseldorf Weeze base, its nineteenth in Europe, will be launched in June and will follow shortly after the opening of a second German base at Bremen in northern Germany in April.

The Irish low cost carrier is moving rapidly to establish a network of operating bases in the big European markets with to date five in the UK, three in Italy, three in Germany, two in Spain, and three in Ireland. It also has single bases in France, Belgium and Sweden, the broadest geographic spread of any European airline.

Ryanair already has its most important operating base in continental Europe in Germany at Frankfurt-Hahn, a former US fighter base located 60 miles west of Frankfurt;. It is aiming to increase the number of aircraft based at Hahn, from six to 18 by 2012.

At Hahn it has grown to more than 4m passengers a year in six years and is planning to double this to 8m by 2012.

The airline said that it would initially locate two aircraft at Weeze with a network of 10 routes adding Alghero (Sardinia), Alicante, Palma and Venice to the six existing routes to London Stansted, Glasgow Prestwick, Rome Ciampino, Stockholm Skavsta, Shannon and Barcelona-Gerona.

Ryanair is the fastest growing and most profitable carrier in Europe, as it both takes away market share from the established network airlines and opens up many new secondary markets.

Earlier this week it announced record third quarter profits and forecast a 29 per cent rise in full year profits to the end of March to 390m.

It is aiming to double profits and passenger volumes by 2012, when it will be the largest short-haul carrier in Europe. It is forecast to carry 42m passengers in the year to March.

Its single type fleet of 189-seat Boeing 737-800s is due to grow from 134 aircraft this year to 251 in 2012 based on existing firm orders.

Load-Date: February 8, 2007

EasyJet predicts strong growth

FT.com

7 February 2007 Wednesday 11:07:14 AM GMT

FINANCIAL TIMES

Length: 288 words

Byline: ToShelley

Body

EasyJet said it expected full-year pre-tax profits to rise by between 40 and 50 per cent in 2007, following a 56 per cent rise to GBP129m in 2006.

The low-cost airline said passenger revenues per seat would continue to improve in the second quarter after a 4 per cent increase in the first quarter.

Fuel costs for the first half will be 7 per cent higher than last year but for the 12 months to September they are forecast to be slightly lower.

Ancillary revenues from sales of insurance, car hire and other services are picking up momentum. Within a 4 per cent rise in total revenues per seat, ancillary revenues increased 22 per cent year-on-year in the first quarter with further acceleration expected. By contrast, passenger revenue per seat was up 2.3 per cent.

Capacity growth in the year to September is expected to be 15 per cent. Yields will be pressured by strong year-earlier comparitors.

In the first quarter, passenger numbers were up 9.8 per cent at 8.1m, largely due to increased capacity in Switzerland and Italy. The load factor declined by 0.5 per cent to 81.7 per cent.

Earlier in the week, rival Ryanair said that passenger numbers had increased by 19 per cent in the third quarter, while passenger revenues rose by 28 per cent helped by the 7 per cent increase in average fares.

Despite the profits forecast from EasyJet, which was to the top end of market expectations, the share price had slipped more than 2.5 per cent to 672lp by mid-morning. Analysts at Collins Stewart said in a note that Easyjet's valuation was now looking stretched in comparison with Ryanair. By contrast, Oriel Securities' view was that any risk was on the upside with the possibility that pressure on yields would be less than expected.

Load-Date: February 8, 2007

Ryanair profits surge on back of fare increases

FT.com

5 February 2007 Monday 9:33:21 AM GMT

Length: 684 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, Europe's leading low cost airline, increased profits sharply in the third quarter ahead of its previous guidance and market expectations and raised its profits forecast for the full year.

Michael O'Leary, Ryanair chief executive, said that average fares had risen by 7 per cent in the quarter in sharp contrast to the warning the airline gave last summer that average fares were likely to fall by 5-10 per cent in the second half from October to March.

He said on Monday that based on bookings received so far yields, or average fares, in the final quarter would also be in line with last year.

Net profit for the full year to the end of March was expected to rise by around 29 per cent to 390m.

Shares in the Dublin-based operator rose 6 per cent in early trade to 11.90.

Mr O'Leary said that Ryanair's strong financial performance had been helped by the fuel surcharges levied by many rival airlines, which allowed it to raise its own fares and still sell 81 per cent of its available capacity despite the addition of a large number of new aircraft and the opening of new routes.

Profits have also been improved by the introduction of charges for checked-in baggage, and the airline continues to be successful in increasing ancillary income - derived from areas such as commission earnings from hotel bookings, car rental and travel insurance - at a rate well above the increase in passenger volumes.

Ryanair, one of the world's most profitable airlines, increased its pre-tax profits in the third quarter by 26 per cent from 40.6m to 51.2m and in the first nine months by 36.5 per cent from 310.1m to 423.4m.

Ryanair profits surge on back of fare increases

Net profit in the quarter rose by 30 per cent from 36.8m to 47.7m, while turnover increased by 33 per cent from 370.7m to 492.8m. Earnings per share rose by 29 per cent from 4.79 cents to 6.18 cents.

The airline said its unit costs had increased by 14 per cent including a 52 per cent increase in fuel costs to 175m. Fuel now accounts for 40 per cent of the total Ryanair cost base.

The airline took out hedging protection for the current quarter, when the oil price was close to its peak last summer, and it said on Monday that it had hedged 90 per cent of its fuel requirements for the present quarter at $73 a barrel. The benchmark Brent crude oil price closed last week at $58.40 a barrel.

It will benefit from the lower oil price in the next financial year to the end of March 2008, when it is 50 per cent hedged in the first half and 90 per cent hedged in the second half at prices 10 per cent lower than in the current year locking in savings of around 60m.

Ryanair said that passenger numbers had increased by 19 per cent in the third quarter from 8.6m to 10.3m, while passenger revenues rose by 28 per cent helped by the 7 per cent increase in average fares.

Mr O'Leary said the airline expected to be able to lower its baggage handling costs, as passengers checked in less baggage following the introduction of charges.

The group's new operating bases in Madrid and Marseille were performing well, while advance bookings for the Bremen base, which was opening in April, were "strong." It expected to announce a 19th base, which would be in continental Europe, before the end of the month.

Ryanair said that it had paid a total of 342m to build its 25.2 per cent stake in Aer Lingus, its smaller Irish rival. Its takeover bid for the airline lapsed in December, when the European Commission launched a full-scale competition investigation, but the airline said on Monday it was "confident," that the offer would be approved by the Commission.

The Commission expressed serious misgivings about the bid in December, however. It said the combination of Europe's biggest no-frills airline and Ireland's flag carrier raised "serious competition concerns in the passenger air transport sector and in particular could reduce choice for consumers and could give rise to higher fares than would be likely if the two carriers remained separate."

The group said that its previously announced plan for a two for one stock split to improve the liquidity of its shares would be implemented on February 26.

Load-Date: February 5, 2007

Ryanair

FT.com

5 February 2007 Monday 5:33:07 PM GMT

FINANCIAL TIMES

Length: 335 words

Body

Ryanair goes from strength to strength. A few days after British Airways announced that operating profits fell 27 per cent year-on-year in its third quarter from October to December, the Irish low-cost carrier unveiled a 16 per cent increase in profitability. Earnings per share rose nearly 30 per cent year-on-year.

Ryanair's strength continues to be the combination of cost control and pricing flexibility. It charges for baggage, and BAA is still limiting passengers to one carry-on bag. This helped Ryanair raise average fares by 7 per cent over the quarter. So did the fact that, since it breaks even at lower loads, Ryanair can price up to its rivals when they raise prices, but price down when necessary to gain market share. The flow through from increased revenues to profits was somewhat hampered by higher fuel costs Ryanair's hedging policies have not been the most prescient but operating margins were still an impressive 14 per cent.

It remains difficult to assess whether Ryanair's bid for Aer Lingus, the Irish flag carrier, was serious or more an example of Michael O'Leary, Ryanair's chief executive, being provocative. The bid has lapsed, but can be re-tabled in the autumn. Meanwhile, Mr O'Leary is sitting on a 25 per cent stake in Aer Lingus, as well as a tidy cash pile. If not on Aer Lingus, he may feel tempted to spend it on other rivals.

Whether or not he does, investors should remain focused on Ryanair's continued momentum. The low-cost airlines are still increasing market share in Europe, and Ryanair is obviously well positioned to take advantage of this trend, which should continue well into the next decade. At some point, valuations will need to factor in the impact of more mature markets, which they clearly ignore at the moment. Ryanair shares are trading at about 24 times the company's guidance for 2007 earnings. Even if a premium to its peers is justified by Ryanair's growth outlook as well as its superior business model, such heights are not for the faint-hearted.

Load-Date: February 5, 2007

Ryanair

Europe flat as financial stocks slip

FT.com

5 February 2007 Monday 5:03:16 PM GMT

FINANCIAL TIMES

Length: 707 words

Byline: Neil Dennis

Body

European energy providers the main focus on Monday, but equity markets remained largely flat as profit taking in the banking sector offset gains for oil groups.

The FTSE Eurofirst 300 ended the session 0.05 per cent higher at 1,538.5.

Endesa, the Spanish power generator, fell 2.4 per cent to 38.10 after German rival Eon submitted its final bid at 38.75 a share, a discount to Friday's closing price of 39.04, but up from its previous 34.50-a-share offer.

"Eon's bid is high enough to be perceived as a winning bid," said Lueder Schumacher at Dresdner Kleinwort. "Although some Endesa shareholders might have been hoping for more, it should still get approval from the Endesa board."

Endesa's board discuss the 41bn deal today.

The withdrawal of Gas Natural's offer last week removed many of the perceived obstacles to Eon's success, but recent stakebuilding in Endesa by Spanish constructor Acciona, could provide some opposition to the deal.

Acciona holds 21 per cent of Endesa, however, the company said last week that it would sell if Eon won majority acceptance.

Eon's shares slipped 0.4 per cent to 108.97, while Acciona gained 0.3 per cent to 155.45.

The biggest faller on the Eurofirst 300 was Norway's Renewable Energy (REC) after its largest shareholder Good Energies Investments sold 12.5 per cent of the solar power systems group to Orkla, the Nowegian conglomerate, at a discount to Friday's closing price.

The sale was part of a complex, three-way deal that involved Orkla signing a long-term silicon supply contract with Q-Cells, the German solar panel maker, and a sale by Good Energies of a further 17.9 per cent of REC to Q-Cells. After the transaction Good Energies would hold 49.55 per cent of the German company, and 4 per cent of REC.

"The announcement is negative for REC," said Adrien Bommelaer at Credit Suisse. "This announcement downplays hopes of a bid from Orkla for the remaining REC shares."

REC fell 11.3 per cent to NKr141, while Orkla added 3.6 per cent to NKr402.

Credit Suisse said the deal was positive for Q-Cells, as it was securing a major stake in its main supplier of silicon. Meanwhile, Q-Cells reported its full-year operating profit more than doubled, beating expectations, after an 80 per cent rise in sales.

Q-Cells shares gained 18.5 per cent to 49.40.

Irish airline Ryanair climbed 6.8 per cent to 11.98 after announcing a surprise 30 per cent increase in third-quarter net profit, confounding expectations of a profit fall. The company raised its full-year profit targets, forecasting also large savings in fuel costs in the year ahead after a successful hedging strategy.

Fellow Irish airline Aer Lingus gained 1.8 per cent to 2.85 after Ryanair said it may renew its bid as early as May if its previous lapsed bid was cleared by the European Commission's competition authorities.

Other budget airline groups were lifted by Ryanair's results. Air Berlin gained 4.2 per cent to 17.15.

Swiss investment bank Credit Suisseled the financial sector lower after ING encouraged investors to take profit following the stock's 16 per cent rise over the last three months.

ING said it now saw "insufficient further upside" for the shares and cut its rating from "buy" to "hold". Credit Suisse shares fell 0.7 per cent to SFr88.10.

SEB, the Swedish Bank, fell 1.9 per cent to SKr230.50 after Deutsche Bank dowgraded it from "hold" to "sell", saying the market had already priced in strong results and the benefits of its potential merger with Nordea.

"This makes SEB sensitive even to minor disappointments, leaving little room for upside in the case of positive surprises," said analyst Jan Wolter.

Nordea shares were flat at SKr110.

Unibail, the French property group, rose 3.8 per cent to 208 after JPMorgan raised its rating from "neutral" to "overweight". This followed the company's strong full-year earnings, reported last week, which prompted upgrades on Friday from Deutsche Bank and Citigroup.

Adidas, the German sportwear maker, gained 2.3 per cent to 38.20 after Credit Suisse raised its rating from "neutral" to "outperform". The broker said it believed recent negatives such as the delay in the Reebok turnround should be priced in, while positives like the Beijing Olympics next year should support growth.

Load-Date: February 5, 2007

Europe lower as carmakers weigh

FT.com

5 February 2007 Monday 9:05:13 AM GMT

Length: 376 words

Byline: Neil Dennis

Body

European equities were lower in early trade on Monday as financial stocks slipped on profit taking while carmakers were hit by a profit warning from Japan's Nissan, which is part owned by Renault.

In early trade, the FTSE Eurofirst 300 was off 0.2 per cent to 1,535.25, Frankfurt's Xetra Dax shed 0.2 per cent to 6,869.77, the CAC 40 in Paris lost 0.2 per cent to 5,664.63 and London's FTSE 100 was 0.2 per cent lower at 6,299.5.

The biggest faller on the Eurofirst 300 was Norway's Renewable Energy (REC), the solar power systems group, after Norwegian conglomerate Orkla raised its stake to 39.99 per cent but said it had no intention of increasing its holding beyond this level.

Orkla bought the shares from Good Energies Investment, the holding company, which said it intended to sell its remaining stake around 4 per cent of REC's share capital. REC shares fell 12.5 per cent to NKr139.

Renault, the French carmaker, fell 1.6 per cent to 90.25 after its Japanese strategic partner Nissan slumped more than 8 per cent following a surprise profit warning issued after Friday's Tokyo close.

The warning prompted earnings and ratings downgrades on Monday and undermined the European auto sector. Peugeot, also of France, fell 1.1 per cent to 50.65, while Germany's DaimlerChrysler shed 0.9 per cent to 48.10 and Italy's Fiat lost 0.8 per cent to 16.99.

Irish airline Ryanair climbed 6.5 per cent to 11.95 after announcing a surprise 30 per cent increase in third-quarter net profit, confounding expectations of a profit fall. The company raised its full-year profit targets, forecasting also large savings in fuel costs in the year ahead after a successful hedging strategy.

Unibail, the French property group, rose 4.8 per cent to 209.90 after JPMorgan raised its rating from "neutral" to "overweight". This followed the company's strong full-year earnings, reported last week, which prompted upgrades on Friday from Deutsche Bank and Citigroup.

Endesa, the Spanish power utility, fell 2.5 per cent to 38.07 after German rival Eon submitted its final bid for 38.75 a share, a discount to Friday's closing price of 39.04, but up from its previous offer of 34.50. Hopes that Eon will successfully acquire Endesa lifted the German company's shares 1.5 per cent to 111.

Load-Date: February 5, 2007

FTSE drifts lower as miners weigh

FT.com

5 February 2007 Monday 9:04:46 AM GMT

Length: 284 words

Byline: Donna Haddaway

Body

London equity markets opened slightly lower on Monday with the mining sector falling on lower metal prices and with little corporate news to boost the markets.

The FTSE 100 lost 7.8 points, or 0.1 per cent, to 6,303.1 in opening trade, while the mid-cap FTSE 250 fell just 2.6 points to 11,340.4.

Rio Tinto led fallers, down 1.2 per cent at GBP26.62, after Shanghai copper futures fell by their 4 per cent daily limit, tracking a near-five per cent slide in London futures.

Xstrata shed 1.1 per cent to GBP23.55 while BHP Billiton was down by 0.8 per cent at 968lp and Anglo American fell 1 per cent to GBP23.57.

J Sainsbury put on 1 per cent to 512lp following reports in the Financial Times that US private equity group Texas Pacific is considering a bid for the supermarket owner.

Shares in Sainsbury jumped as much as 18 per cent on Friday on news that CVC, Kohlberg Kravis Roberts and Blackstone were in the early stages of assessing a bid for the supermarket chain.

Johnson Matthey shares climbed 3 per cent to GBP15.36 after UBS raised its recommendation on the stock from 'neutral' to 'buy', and its price target by 310p to GBP18.

On the mid-cap index, Countrywide made gains of 6.2 per cent to 568lp after it said it had received a preliminary bid approach which may or may not lead to an offer being made for the estate agency.

UK builder Barratt Developments said it had agreed to acquire smaller rival Wilson Bowden for GBP2.2bn to create Britain's biggest housebuilder. Shares in Barratt firmed 4.2 per cent to GBP12.83 while Wilson Bowden lost 1.9 per cent to GBP22.71.

Ryanair's London-listed shares gained 6.1 per cent to 11.90 after it announced a 30 per cent rise in third quarter net profits.

Load-Date: February 5, 2007

Airlines lift European equities

FT.com

30 January 2007 Tuesday 6:25:58 PM GMT

Length: 711 words

Byline: Neil Dennis

Body

European equity markets ended higher on Tuesday, shrugging off early losses, as airline stocks were lifted by merger speculation, while industrial groups gained on earnings expectations.

The FTSE Eurofirst 300 added 0.3 per cent at 1,522.27.

Air France-KLM led the airline sector higher after it showed no interest in the sale of shares in Italian rival Alitalia with which it already has a strategic partnership.

Shares in the Franco-Dutch carrier rose 7.2 per cent to 35.01 after it said that conditions were not right for a bid. Analysts suggested the market was relieved Air France had decided against the move and that it would concentrate on developing synergies from its merger with KLM.

"We believe the recent pull back in the shares over concerns on Alitalia possibilities and foreign ownership is a particularly attractive opportunity," said Tim Marshall at UBS, which raised its price target on the carrier on Monday from 35 to 40.

Alitalia meanwhile, jumped 3.6 per cent to 1.13 after receiving 11 expressions of interest. Potential bidders included private equity groups Texas Pacific Group Ventures and Terra Firma Investments, as well as the investment banking arm of Italy's Unicredit.

Investors bought into the rest of the sector on the back of lower oil prices and recent upgrades. Germany's Lufthansa added 1.8 per cent to 21.76, while Spain's Iberia climbed 2.3 per cent to 3.17. Irish budget carrier Ryanair was up 8 per cent to 11.12.

Airlines lift European equities

Swedish heavyweights Sandvik and Atlas Copco both figured highly on the Eurofirst 300 leaderboard as their shares were snapped up in expectation of strong results when they both report on Thursday.

The speculation was driven by record fourth-quarter earnings from sector and domestic peer SKF, the world's biggest maker of bearings, which also said it planned a shareholder payout of SKr6.6bn.

Shares in SKF gained 7.3 per cent to SKr139.50. Sandvik, which makes tools and machinery for the mining industry, added 5.5 per cent to SKr110 and Atlas Copco, the world's biggest maker of air compressors, rose 3.9 per cent to SKr228.

Siemens gained 5 per cent to 85.50 after the German conglomerate was upgraded by a number of brokers following its stronger-than-expected results last week.

Merrill Lynch said stronger industrial demand was behind its recommendation change from "neutral" to "buy", and UBS lifted its price target from 90 to 97, reflecting expectations of further earnings surprises this year.

Hypo Real Estate, the German property lender, reported full-year earnings that met with market expectations, but the shares fell 2.7 per cent to 50.75 as investors took profits following a six-week run that advanced the stock by 19 per cent. Dresdner Kleinwort downgraded the stock from "buy" to "add" on valuation grounds.

Belgacom fell 1.9 per cent to 34.17 after it was downgraded by Rabobank from "hold" to "reduce". The broker said the company's recent strong share price performance had been overdone.

The telecoms sector recovered some poise after Monday's profit warning from Deutsche Telekom. DT shares were down 0.1 per cent to 13.59, but France Telecom recouped 0.5 per cent to 21.29 and Telecom Italiarallied 0.7 per cent to 2.29.

Personal goods groups gained after Merrill Lynch raised its rating on German cosmetics group Beiersdorf from "neutral" to "buy". Merrill said the maker of Nivea creams had demonstrated that focusing on fewer and bigger product innovations was paying off. Beiersdorf gained 2.7 per cent to 49.88.

Also in the sector, France's LVMH, the maker of Louis Vuitton fasion accessories, gained 3 per cent to 81.50 and Christian Dior added 2.6 per cent to 84.40.

Rumours persisted that French drugmaker Sanofi-Aventis was poised to announce a merger with US partner Bristol-Myers Squibb.

Alexandra Hauber at Bear Stearns said a large cash component would likely be required for US shareholders to accept an offer. This could possibly dilute earnings, but the attraction of BMS's product pipeline could make it worthwhile.

Paul Mann at Deutche Bank agreed, adding: "We see Sanofi as a buying opportunity for speculative investors, with the upside dictated by the level of cash used to fund the transaction."

Investors remained wary however, and Sanofi edged 0.7 per cent lower to 68.55.

Load-Date: January 30, 2007

Heavyweights lead European equities lower

FT.com

30 January 2007 Tuesday 12:16:53 PM GMT

FT FINANCIAL TIMES

Length: 516 words

Byline: Neil Dennis

Body

European equity markets fell on Tuesday as losses in the heavily-weighted banking, resources and telecommunications sectors offset gains for airlines and luxury goods.

By midday, the FTSE Eurofirst 300 was down 0.1 per cent to 1,516.03, Frankfurt's Xetra Dax was little changed at 6,729.07, the CAC 40 in Paris fell 0.1 per cent to 5,615.56 and London's FTSE 100 shed 0.2 per cent to 6,227.0.

Airline stocks were higher as investors bought into the sector on the back of lower oil prices. There was also some relief that none of the leading carriers had expressed interest in buying loss-making Alitalia, Italy's flag carrier, after the deadline for first-round offers ended yesterday.

Air France-KLM, which has cross-shareholdings with Alitalia, gained 5.5 per cent to 34.46 after it said the conditions were not right for a bid. Analysts believed that it wanted to concentrate on fully developing synergies from its recent merger.

Lufthansa, which on Monday was upgraded by JPMorgan, gained 0.9 per cent to 21.57, and Ireland's budget carrier Ryanair added 1.1 per cent to 11.15.

Alitalia meanwhile, jumped 3.7 per cent to 1.14 after receiving 11 expressions of interest. Potential bidders included private equity groups Texas Pacific Group Ventures and Terra Firma Investments, as well as the investment banking arm of Italy's UniCredit.

The worst performing sectors were basic resources like oil groups and mining stocks as prices fell on commodity markets. Crude oil fell below $55 a barrel in overnight trade after Saudi Arabia's oil minister said he was happy with prices around $50 a barrel.

Norway's Statoil fell 1.2 per cent to NKr164, while Austria's OMV lost 0.6 per cent to 40.70 and Italy's Eni lost 0.4 per cent to 24.69.

London-listed mining stocks added to the losses as metals prices fell. Kazakhmys lost 1.6 per cent to GBP10.33. Steelmakers were also lower, with French steel pipe maker Vallourec off 1.2 per cent to 195.90, and Germany's ThyssenKrupp down 0.6 per cent to 35.17.

Hypo Real Estate, the German property lender, fell after full-year earnings met expectations, sparking profit taking after the stock recent good run. The shares fell 2.3 per cent to 50.97.

Belgacom led decline's in the telecoms sector after it was downgraded by Rabobank from "hold" to "reduce". The broker said teh company's recent strong share price performance had been overdone. Its shares lost 2.8 per cent to 33.87.

The broader sector remained weak following Monday's profit warning from Deutsche Telekom. DT shares were down 0.9 per cent to $13.48, while France Telecom fell 0.4 per cent to 21.10 and Swisscom shed 0.2 per cent to SFr470.75.

Personal goods groups gained after Merrill Lynch raised its rating on German cosmetics group Beiersdorf from "neutral" to "buy". Merrill said the maker of Nivea creams had demonstrated that focusing on fewer and bigger product innovations was paying off. The shares gained 3 per cent to 50.04.

Also in the sector, France's LVMH, the maker of Louis Vuitton fasion accessories, gained 2.5 per cent to 81.05 and rival Christian Dior added 1.1 per cent to 83.20.

Load-Date: January 30, 2007

Walsh steps in to limit upheaval at BA

FT.com

29 January 2007 Monday 10:05:15 PM GMT

Length: 898 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ever since Willie Walsh stepped personally into the protracted negotiations to avert the threatened strikes by thousands of British Airways cabin crew, the BA chief executive has conducted an exercise in damage limitation.

In the short term it has been about avoiding the loss of revenues about GBP20m a day that would flow from a protracted strike and the airline's grounding.

Just as important, the airline has sought to prevent damage to staff morale and to customer service relations that would have resulted from a prolonged conflict.

BA's reputation has taken heavy blows in recent years with chaos at its main terminals at Heathrow airport, its global hub, in each of the past four summers. Competition from other carriers is fierce and domestic rivals, including Virgin Atlantic, BMI British Midland, EasyJet and Ryanair as well as foreign airlines, had been eagerto pull passengers away from BA.

It could ill afford further disruption. Despite yesterday's last-minute settlement hundreds of flights had already been cancelled today, as the airline took contingency measures ahead of the threatened strike. Although flights were reinstated, many passengers have booked with other airlines.

But Mr Walsh also had to contain the long-term damage from any strike and the inevitable concessions. He has been seeking to ensure the airline does not get thrown off course in its efforts to modernise, to cut costs, to reform outdated working practices and to reach a level of profitability that can sustain growth and allow the group to embark on billions of pounds of investment in new long-haul aircraft during the next decade.

In yesterday's deal there have been concessions from both sides, but the damage has been limited.

Walsh steps in to limit upheaval at BA

The union can justifiably claim it has stood up to what was perceived as bullying in particular over the management of sickness absence.

BA's policy, which has succeeded in reducing cabin crew sickness absence from an average of 22 days a year to 12, remains in place but will now be managed more carefully "to recognise genuine concerns of cabin crew".

The airline has agreed ailments that will not be noted as part of the crew's sickness record will include colds and flu resulting in blocked ears; diarrhoea and vomiting; surgery or broken limbs; as well as the first period of sickness in a 21-month period.

It remains to be seen whether attendance records deteriorate.

The union has also made progress in narrowing damaging pay differentials. Crew are on different pay scales depending on whether they joined before or after 1997 and the gap is now being narrowed although still far from closed. Hitherto post-1997 long-haul crew could earn a maximum basic pay of GBP15,748 a year (or GBP29,304 including allowances) compared with GBP26,600 (GBP40,156 with allowances) for pre-1997 crew. The basic for post-1997 crew will now be raised to GBP18,600 in four increments, a rise of GBP2,852.

As part of the deal BA itself has gained one of its reforms, however, to reduce the seniority of one member of the cabin crew on its biggest aircraft, the 747 long-haul jets. From September one of four purser positions in the 15-person team will be replaced by a main cabin crew member, effectively cutting the overall wage bill.

On balance it appears that a dent has been made by the cabin crew in Mr Walsh's efforts to cut costs by GBP450m in the two years to March 2008, but the potential for much greater long-term damage has been avoided.

Just as importantly the settlement of the cabin crew dispute should clear the way for other huge reforms to be completed, most notably the implementation of a deal to address the GBP2.1bn actuarial deficit in the main BA pension scheme.

Despite appearances to the contrary in the last couple of weeks, the airline has made significant progress in labour relations on several fronts in the last year.

In practice at BA Mr Walsh has shown patience in working to gain backing from employees to a wide-ranging package of crucial pensions reforms. The four main unions at BA have been split over the deal with the smaller GMB union calling for strike action in a current ballot, while Amicus and Balpa, the pilots union, are recommending it.

The Transport and General Workers Union is by far the biggest at BA, however, with 20,000 members including 11,000 cabin crew, and yesterday's settlement with the cabin staff should swing the TGWU firmly into supporting the pensions deal.

Once in place, the pensions reform should then allow the credit-rating agencies to raise BA's debt rating back to investment grade, smoothing the path for capital spending on new aircraft.

Mr Walsh has also won some much-needed changes in working practices ahead of the hugely important move to the new Terminal 5 at Heathrow next March.

Deals have already been secured with groups ranging from baggage handlers and loaders to aircraft dispatchers and ground transport services staff, with passenger services, such as check-in and sales, left as the one big group yet to agree a deal on new ways of working.

If a legacy of the last few weeks can also be an improved working relationship with the cabin crew, Mr Walsh's reputation from Ireland as a tough but fair manager could yet be enhanced.

BA could also still be on track to achieving a 10 per cent operating profit margin in the year to March 2008, a holy grail that has eluded all previous managements.

Load-Date: January 29, 2007

European stocks higher on M&A talk

FT.com

29 January 2007 Monday 5:35:04 PM GMT

Length: 702 words

Byline: Neil Dennis

Body

Deutsche Telekom drove fixed line operators lower on Monday after it announced its second profit warning in six months, but merger talk kept European equity markets buoyant.

The FTSE Eurofirst 300 ended 0.3 per cent higher at 1,517.43.

Telekom said on Sunday that fierce competition in Germany and challenging currency conditions had forced it to rethink its 2007 forecasts. The company said it now expected core profit for this year to come in at 19bn rather than the previous estimate of between 19.7bn-20.2bn.

The response from brokers might have been worse, but for the new management getting the benefit of the doubt.

"The new team is clearly hoping to exceed expectations and given the tough domestic environment is setting the bar low in the first full year of its tenure," said Martin Mabbutt at Nomura.

Stefan Borscheid at WestLB said: "This profit warning increases the company's flexibility with regard to its new strategy and will help the management to negotiate cost cutting. We believe the worst should be over."

Jonathan Dann at Bear Stearns agreed: "We believe that new guidance is realistic and despite the earnings revision, DT remains cheap on cashflows on our forecasts."

Citigroup however, downgraded the stock from "hold" to "sell", while HVB Group lowered its price target.

Deutsche Telekom shares fell 4 per cent to 13.60, and dragged the rest of the fixed-line sector with it. Telecom Italia fell 1.5 per cent to 2.27, France Telecom lost 0.9 per cent to 21.18 and Swisscom shed 1.5 per cent to SFr471.50.

European stocks higher on M&A talk

Sanofi-Aventis was the worst performing stock on the CAC 40 index in Paris after a French newsletter sparked rumours of a merger with Bristol-Myers Squibb of the US.

Such a move would form the world's largest drug company, overtaking Pfizer, and while no sources were cited behind the rumour, the two companies have been suggested as possible merger partners since they began working together on the Plavix blood thinner. Sanofi edged 1.4 per cent lower to 69 on fears such a move would dilute the value of the shares.

Airline rose on hopes of further consolidation in the industry. Wofgang Mayrhuber, chief of Deutsche Lufthansa, which bought Swiss International Air Lines two years ago, said that if talks between the US and the European Union to liberalise the market failed, further European consolidation would emerge.

UBS was positive on the sector, upgrading both Lufthansa and Spain's Iberia from "neutral" to "buy", and raising its price targets on Air-France-KLM and Ryanair.

"The next significant catalyst for the airline sector will be upgrades on lower fuel cost," said analyst Tim Marshall.

Lufhansa gained 1.1 per cent to 21.38, while Iberia added 3.3 per cent to 3.10, Air France gained 1.5 per cent to 32.67 and Ryanair rose 1.3 per cent to 11.04.

Alitalia gained 1.9 per cent to 1.10 as the deadline for offers of interest in the for-sale Italian airline expired.

Truckmakers were also the subject of merger talk. Fresh from its failed bid for Sweden's Scania, Germany's MAN was rumoured to be the target of Volvo, also of Sweden. MAN shares gained 2.6 per cent to 78.86, Volvo gained 1 per cent to SKr502 and Scania gained 3.5 per cent to SKr485.

Infineon, the German chipmaker, climbed 0.9 per cent to 11.19 after it said its communications unit would reach profit in the fourth quarter as it reported better-than-expected results for its fiscal first quarter.

Fiat, the Italian carmaker, gained 2.8 per cent to 16.67 after a price target upgrade from JPMorgan followed last week's results and the company's first annual profit since 2000.

"The company benefits from better than average visibility on its operating environment this year on the back of high product activity across all divisions," said Philippe Houchois at JPMorgan.

Pernod Ricard, the French drinks group which attracted a number of target price upgrades last week following its raised sales forecasts, was again the subject of positive broker comment.

WestLB upped its recommendation from "hold" to "add", impressed by the company's ability to deliver "strong volume growth" from its high-margin brands. Goldman Sachs raised its price target on Pernod from 140 to 155. The shares gained 0.7 per cent to 159.10.

Load-Date: January 29, 2007

Telecoms drive European equities lower

FT.com

29 January 2007 Monday 12:47:55 PM GMT

FINANCIAL TIMES

Length: 509 words

Byline: Neil Dennis

Body

European equity markets moved higher on Monday, but losses for telecommunications stocks weighed following Deutsche Telekom's second profit warning in six months.

By midday, the FTSE Eurofirst 300 was up 0.2 per cent to 1,515.07, Frankfurt's Xetra Dax gained 0.3 per cent to 6,707.79, the CAC 40 in Paris added 0.5 per cent to 5,609.77 and London's FTSE 100 inched 0.1 per cent higher to 6,232.6.

Deutsche Telekom said on Sunday that fierce competition in Germany and challenging currency conditions had forced it to rethink its 2007 forecasts. The company said it now expected core profit for this year to come in at 19bn rather than the previous estimate of between 19.7bn-20.2bn. The shares fell 5.1 per cent to 13.45.

Rival European telecoms stocks were also weaker. Among them, Telecom Italia fell 1.2 per cent to 2.28, France Telecom lost 1.4 per cent to 21.08, Belgacom shed 1.2 per cent to 34.55 and Britain's BT Group slid 0.9 per cent to 301lp.

Airline stocks helped keep the market afloat as Germany's Lufthansa gained 1.2 per cent to 21.41 after its chief executive said he expected consolidation in the industry, but did not intend to participate in any associated mergers.

Wofgang Mayrhuber, chief of Lufthansa, which bought Swiss International Air Lines two years ago, said that if talks between the US and the European Union to liberalise the market failed, further European consolidation would emerge. The US government currently ensures foreign airlines can hold no more than 25 per cent of US carriers.

Air France-KLM shares were up 1.7 per cent to 32.73, Ryanair gained 0.8 per cent to 10.99 and British Airways climbed 1 per cent to 532lp, despite caution ahead of expected strikes by cabin crew this week.

Infineon, the German chipmaker, climbed 1 per cent to 11.20 after it said its unit that makes chips for the communications industry would reach profit in the fourth quarter as it reported better-than-expected results for its fiscal first quarter.

Fiat, the Italian carmaker, gained 2.2 per cent to 16.56 after a price target upgrade from JPMorgan followed last week's results and the company's first annual profit since 2000.

Pernod Ricard, which attracted a number of target price upgrades last week following its raised sales forecasts, was again the subject of positive broker comment. WestLB upped its recommendation from "hold" to "add", impressed by its ability to deliver "strong volume growth" from its high-margin brands. Goldman Sachs raised its price target on Pernod from 140 to 155.

Meanwhile, Belgian holding company Group Bruxelles Lambert revealed after the market close on Friday that it had acquired 5 per cent of Pernod Ricard shares in what it called a "stable and friendly" deal motivated by the company's growth prospects. Shares in Pernod Ricard were up 1.5 per cent to 160.40.

Financial services stocks added weight to the market's overall gains. Danske Bank gained 1.2 per cent to DKr265, France's BNP Paribas added 1.2 per cent to 84.10, and Portugal's largest lender Millennium BCP rose 1.4 per cent to 2.88.

Load-Date: January 29, 2007

British Airways' troubles

FT.com

26 January 2007 Friday 10:16:58 AM GMT

Length: 295 words

Body

The challenge of dragging its workforce kicking and screaming into the 21st century is not only faced by British Airways. All the European flag carriers are grappling with the same task. Planned industrial action by BA's cabin crew next week, though, looks like a big step backwards.

The proposed strikes would be the first official action for a decade and every day lost could cost BA GBP20m in traffic revenues. The topline hit will make it yet more difficult for Willie Walsh, chief executive, to reach his 10 per cent operating margin goal. He will not feel too discouraged, though.

BA's cabin crew, nearly a third of its 44,000 workforce, mainly seems upset about attempts to reduce sick leave to a target of nine days a year. Even the target is well above the UK average of seven days one indication of how far BA has to go before it matches competitive industry norms. After five years of restructuring, its average costs per employee, 25 per cent above those of Ryanair and EasyJet, remain among the highest.

The cabin crew's focus on a relatively minor issue suggests Mr Walsh may be making progress. The dispute does not seem to centre on his most pressing priorities tackling the pension deficit and changing working practices to ensure a successful move to London Heathrow's Terminal 5. Two-thirds of BA's workforce have apparently already agreed to these changes, which augurs well.

The willingness of BA's shareholders to weather shocks from fog to security scares to walk-outs has often been tested. The shares have risen more than 64 per cent over the past 12 months. At about 12 times 2007 consensus earnings, they are valued bang on their long-term average. While painful for passengers, eight days of strikes may prove less excruciating for investors.

Load-Date: January 26, 2007

British Airways' troubles

FT.com

25 January 2007 Thursday 2:58:57 PM GMT

Length: 330 words

Body

The challenge of dragging its workforce into the 21st century is not one faced by British Airways alone. All the European flag carriers are grappling with the same Herculean task. Planned industrial action by BA's cabin crew staff, though, appears to be a big step backwards.

The proposed strikes would be the first official action for a decade, and their financial impact could be significant. BA earns an estimated GBP20m a day in traffic revenues. Potentially forfeiting at least this for each strike-day will make it more difficult for Willie Walsh, chief executive, to meet his elusive 10 per cent operating margin target.

Rather surprisingly, though, Mr Walsh has some reasons to feel encouraged. The dispute does not seem to centre around the two main problems he faces reducing the pension deficit, and changing working practices before the imminent move to London Heathrow's Terminal 5. Instead, BA's cabin crew, which represents nearly a third of its 44,000 workforce, seems most upset about attempts to reduce sick leave to BA's target of nine days a year. This is still well above the UK average of seven, and is but one indication of how far BA still has to go towards competitive industry norms. After five years of restructuring, its average costs per employee remain among the highest in the industry globally, and 25 per cent above those of low-cost competitors Ryanair and Easyjet.

Cabin crew staff's focus on a relatively minor issue, though, shows that Mr Walsh is making some progress. Two-thirds of BA's workforce have apparently agreed to the changes in working practice necessary to make the move to T5 a success. This is immensely positive for the long term. And shareholders' ability to weather shocks has often been tested. BA's shares have risen 64 per cent over the last 12 months. But, at about 12 times 2007 consensus earnings, they are bang on their long-term average valuation. An extended strike, though, would be a severe test of investors' tolerance.

Load-Date: January 25, 2007

Sky full of silver linings

FT.com

24 January 2007 Wednesday 7:29:43 PM GMT

FT FINANCIAL TIMES

Length: 1382 words

Byline: Kevin Done

Body

Lawrence Hunt says he received the usual phone call from his great-aunt Christina Foyle, when he finished school. She wanted to know when he would be joining the family business, the famous British bookshop, Foyles, in London's Charing Cross Road.

"I went to lunch with her, that was the standard thing. It was a very short conversation. In her last few years the business was in decline. She did not pay any one over GBP15,000 and there were no pay rises. It was slave labour," he says.

Two decades later, Mr Hunt is starting his own airline, Silverjet, after working as a sales agent for IBM, switching to a small software company, getting involved in three technology start-ups and moving into the travel business.

The first UK all-business class, long-haul carrier is due to be launched today on its initial route between London Luton and New York Newark airports.

The aviation industry is littered with broken dreams, failed business plans and squandered fortunes. But there is never a shortage of new candidates waiting at the end of the runway for clearance to try to become the next Sir Richard Branson of Virgin Atlantic or Stelios Haji-Ioannou of EasyJet. Airlines are notorious for destroying, rather than creating, capital, but for the right initiative there can be great rewards.

For much of the past decade the success stories of the industry have tended to come from the short-haul, low-cost sector Ryanair and EasyJet in Europe, Air Asia and Virgin Blue in the Asia-Pacific region and Jet-Blue and Gol in the Americas. But in the past couple of years the business plans chasing funding have taken on a different hue, with the arrival of long-haul, all-business class carriers.

Sky full of silver linings

Just over a year ago Eos Airlines and Maxjet, both US start-ups, began flying in the London/New York market between London Stansted and New York's JFK airports. A few weeks, ago they were followed by L'Avion, the trade name of Elysair, a French all-business-class carrier operating between Paris Orly and New York's Newark airports.

Striding between the unromantic arrivals cafe of Luton airport and the shiny entrance of Silverjet's private terminal, Mr Hunt reveals an uncharacteristic touch of nerves beneath his normal casual self-confidence. "This is not the best time to be giving up smoking again," he admits.

Mr Hunt realised his next venture should be an all-business class airline thanks to his experiences of flying long-haul in economy, often to California with his technology start-ups.

"When you are starting a business you cannot afford to travel business class. I always wondered, 'Why does it cost 10 times the price of economy to fly business class ' "

He sold his last business, Rapid Travel Solutions, a technology provider to travel groups, for GBP10m in 2001 to Telewest Communications, and left the company in 2003.

In early 2004, he started discussions with his cousin Christopher Foyle, now chairman of Foyles bookshop but more importantly a veteran of the UK aviation sector with his own business Air Foyle Heavylift, the air freight group, and previously a provider of aircraft, crew and licences for passenger airline start-ups, including EasyJet.

For six months they discussed routes, seat densities, cabin configurations, aircraft types, yield management and marketing until the business plan was honed. "There is no magic, no silver bullet in starting a business," says Mr Hunt. "You must above all have absolute persistence and determination ...and be prepared to do everything differently." His skills, he says, are in building businesses, in financing and putting a team together.

Mr Hunt began to assemble a team of experienced airline and travel industry executives: "I needed people who are passionate about what they do. I wanted airline people, who knew how to do it."

His recruits included managing director Peter Evans, a former head of operations of both Virgin Atlantic and MyTravel Airways. "He gets his kicks from on-time performance," Mr Hunt says.

Martyn Bridger came on board as customer experience director. He spent 24 years at British Airways, finally as head of inflight service, and since 2000 has been a consultant to several big carriers.

For the management team, Mr Hunt preferred people who had run their ownbusinesses and were well-versed in building businessprocesses.

For cabin staff, any applicant with more than 18 months airline experience as cabin crew did not stand a chance. "We were looking for people who can smile, who would be happier when the aircraft is full than when it is empty. I was talking on a BA plane to a stewardess, who said the flight was a nightmare. Why? Because the plane was full."

He says that product differentiation is vital in starting a business and that you must know your route to the market. The most difficult issue in getting Silverjet off the ground, however, was securing financial backing. "I approached more than 900 potential investors, private equity groups and wealthy individuals. I probably saw about 150 and must have visited 10 countries." Three times, he says, deals fell through at the 11th hour.

"We fell out because they wanted too much [equity]. And also over the interference rights. They started changing the business plan the spreadsheet jockeys from private equity firms, MBAs aged around 30, who haven't done anything but sit in front of their spreadsheets and screens," he says.

Around the end of 2005, he was introduced by his finance director to Arden Partners, stockbroker and corporate finance adviser for small and mid-cap companies. "After seven hours in the pub with them we hatched a plan to float."

He says that the listing process and flotation was much easier than approaching private equity. "We could concentrate on the float, and marketing to public investors was a much more sophisticated process. The broker makes sure your business is going to work. We saw 37 investors and 31 came on board."

Last May, the still paper airline raised GBP25.3m in a share placement and listed on Aim, the junior market of the London Stock Exchange. Silverjet had a market capitalisation of GBP33.6m with 18.7 per cent of the equity held by directors of the airline, including 12.95 per cent by Mr Hunt.

Back at Luton airport, Silverjet's elegant private terminal is sandwiched between the giant orange hangar soon to be occupied by EasyJet's headquarters and the redbrick of the original airport building amid utilitarian ads for the low-cost carriers.

Next door, however, is the airport chapel, handy for any moments of doubt and reflection Mr Hunt may have on the challenges he faces in the whirl of starting his own airline.

Carbon conversion take-off

Lawrence Hunt, founder and chief executive of Silverjet, hopes that a series of features both inflight and on the ground will help the first British all-business class airline stand out from competitors.

What really sets Silverjet apart, however, is its claim to be the world's first carbon neutral airline.

Included in the ticket price will be a mandatory carbon offset contribution about GBP10-GBP11 for a return London-New York flight giving passengers the opportunity to reinvest the "carbon points" earned into climate-friendly projects.

The scheme is being set up in partnership with CarbonNeutral Company, a climate change business. As part of the process the Edinburgh Centre for Carbon Management has assessed the carbon emissions of Silverjet aircraft per mile and of associated ground activity. This will be converted into a cost per passenger and shown as a mandatory item in the ticket price.

"It's no use people just sitting around thinking about climate change and pretending it is someone else's problem. That is what the airline business has done to date," Mr Hunt says. "If we don't do something, governments will do their own thing and impose solutions and we will end up with more government departments to deal with and forms to fill in and 50 per cent of the funds raised will get invested in government bureaucracy."

Eventually Silverjet customers will be able to choose to earn carbon points rather than frequent flyer points and to help select projects where points can be invested. "At the moment the consumer is not motivated, but if we make it simple and practical, we will get much more support," Mr Hunt says.

Load-Date: January 24, 2007

United Airlines halves shelf-life of miles

FT.com

22 January 2007 Monday 6:14:55 PM GMT

Length: 448 words

Byline: Doug Cameron in Chicago

Body

United Airlines has cut the expiry date on unused frequent-flyer miles to 18 months in a move which highlights the US industry's renewed focus on revenue growth after years of cost cutting.

The decision to halve the time limit applies only to inactive accounts, but will trim millions of dollars of liabilities from its balance sheet and provide more incentives for its best business customers at a time when United is looking to cement the revenue premium is enjoys over rivals by investing in extra services.

United's Mileage Plus scheme is the world's second-largest frequent-flyer programme after American's Aadvantage. Almost 500bn miles have been accrued by flyers at United, which carries a $3.5bn deferred revenue liability on its balance sheet to cover future free flights and upgrades by Mileage Plus members.

The airline declined to quantify the potential impact on revenues and its balance sheet, but noted in regulatory filings that a 1 per cent change in the level of outstanding miles could trim the revenue liability by $41m.

United reports its full-year results on Tuesday, and analysts are expected to question executives about any potential to sell Mileage Plus, a strategy already followed by Air Canada and considered by other US carriers.

Frequent-flyer programmes remain one of the most powerful marketing tools for the network airlines to compete with low-cost rivals, though carriers such as Southwest and AirTran have their own bonus schemes, in contrast to peers such as Ryanair and easyJet in Europe.

Delta recently announced it would cut the expiry date on inactive accounts from three years to two, while American retains a three-year window and Continental and Northwest have no cut-off dates.

United Airlines halves shelf-life of miles

United said its best customers would face less competition to redeem miles on flights as dormant accounts expired, boosting its efforts to attract higher-paying business customers at a time when all of the US carriers have renewed their focus on maximising revenues.

While some carriers have yet to report fourth-quarter data, the industry is expected to report its first full-year profit since 2000 after five years of relentless cost-cutting, helped by a series of fare hikes over the past 18 months.

Revenue growth eased in the final quarter of 2006, in part due to tougher comparisons, but executives have highlighted a series of initiatives to boost non-ticket sales to regain momentum.

Southwest, the sector's most-profitable carrier, plans to sell more travel-related services such as hotel rooms, while American has turned its maintenance base from a cost into a profit centre after new labour agreements allowed it to secure third-party work from other carriers.

Load-Date: January 23, 2007

Rules cut two ways for spread-betting companies

FT.com

22 January 2007 Monday 8:06:26 PM GMT

Length: 831 words

Body

European market opens to IG, but at a cost

Exporting spread betting to continental Europe probably wasn't what the brains behind the Markets in Financial Instruments Directive (Mifid) had in mind. But for IG Group, Mifid's arrival this year may open Europe up to this high-class form of gambling.

Mifid removes the European red-tape that has so far prevented the UK spread-betting company expanding across the channel. But for all the opportunity, investors were more concerned about the increased cost associated with headlong expansion. IG's shares fell 5 per cent amid scepticism as to whether increased revenues would follow.

The reaction is understandable. Regulation cuts both ways for IG. Spread betting on stocks may be legal outside the US but this emerging activity seems to occupy a regulatory grey area. In its basic form, punters place collateral of, say, GBP500, and then bet on Vodafone's share price, gaining or losing GBP50 for every 1p change in the stock. On a charitable view, this is not a leisure pursuit like gambling. It is short-term speculation aimed at accumulating wealth, an alternative to buy-to-let for the disgruntled Equitable Life policyholder taking control of his or her investments.

Not all IG's clients seem to see it that way. Many place wagers through contracts for difference (CFDs) instead of spread bets, probably because CFDs do not contain the word "bet".

European states cannot keep IG out, post Mifid. But if they are worried that spread betting is closer to gambling than investing, they could impose additional red tape.

Moreover, regulators are increasingly scrutinising derivatives trading such as spread betting in the fight against market abuse. Increased monitoring of this area probably spells increased compliance and increased cost. For the time being, the home market is driving revenue growth of 45 per cent at IG. But the company is entering a more uncertain phase. Place your bets.

Seatbelt signs are on

Is this the Big One? A drop of less than 2 per cent in British Airways' shares looked rather modest given the advancing labour relations storm. For different reasons, rival airlines, from Ryanair to Lufthansa, experienced more turbulence yesterday.

Perhaps that is because shareholders think of BA as a perennial focus for industrial action, even though the last official strike was in 1997. Perhaps the City believes Willie Walsh, chief executive, has what it takes to face down the unions. Certainly, the share price movement was trivial compared with the punishment investors will mete out to BA if Mr Walsh caves in to the Transport and General Workers Union.

The cabin crew's proposed strike action comes at the head of a series of other challenges, from reform of the pension scheme to rewriting working practices at Heathrow. Their solution depends on a successful conclusion to this dispute.

So, yes, this is the Big One. Yet "victory" for an aggressive BA management while it might in the short term be welcomed by the markets would be Pyrrhic indeed if it made agreement in the other areas impossible to achieve. On the other hand, a deal that favoured the unions would set a precedent for flexibility that would make a tougher line on, say, Terminal Five almost impossible to hold. No wonder the shares are now in a holding pattern.

Nailing the problem

Confronted with a new challenge, British brickies and their suppliers react at worst with a frown and a considered sucking of teeth. Investors, by contrast, are a jittery bunch. So while Steve Webster, finance director of Wolseley, sounded like a model of equanimity during yesterday's analysts' conference, shareholders in the building supplies group started the day by nervously marking the stock down nearly 2 per cent.

True, Wolseley was surprised by the severity of the downturn in US residential housing, even though it had warned investors last year about the weakening market and falling lumber prices. Both still have a deep impact on Wolseley and will continue to do so, despite last year's 1.5bn (GBP986m) acquisition of DT, the strongly performing Nordic building supplies group, which helped balance the portfolio. The 14 per cent fall in Wolseley's headline pre-tax profits for the five months to end-December prompted some downgrades of profit forecasts.

But Wolseley is not to be thrown off by a sharp twist in the cycle. The loss of 3,500 jobs at Stock Building Supply, worst-exposed, and other actions should position the company better for recovery. At the right price, Wolseley would also consider acquiring other companies serving the US residential housing market.

After their initial lurch downwards yesterday, the shares bounced back. Quite right, too. At 14 times forecast earnings for the current year, they look a relative bargain for a company whose managers not only have their heads firmly screwed on, but probably sell the tool to do the tightening.

IG Index: chris.hughes@ft.com

andrew.hill@ft.com

To comment, visit www.ft.com/lombard

Load-Date: January 23, 2007

Southwest ends in-flight gambling

FT.com

18 January 2007 Thursday 2:33:07 AM GMT

FINANCIAL TIMES

Length: 304 words

Byline: Doug Cameron in Chicago

Body

Southwest Airlines, the largest US domestic carrier, has ruled out luring passengers with in-flight gambling but pledged to introduce alternative new products to counter slowing revenue growth.

The Dallas-based carrier, which on Wednesday reported its 34th consecutive year of profitability, provided the template for the global explosion in low-cost airlines such as Ryanair and EasyJet, which are now pioneering efforts to introduce onboard gaming and mobile phone calls.

Gary Kelly, Southwest's chief executive, identified travel-related services such as hotel booking as likely revenue-generating areas but declined to detail his group's plans.

Southwest's "no-frills" model eschews products such as meals and lounges, which rivals have used to boost revenues. The airline even dropped its contract to carry US mail last year at a time when rivals have sought to boost cargo revenues. The airline has limited code-sharing selling flights for its partner ATA and its so-called "ancillary revenues" remain lower in proportion to most US carriers.

"What we have tapped so far in terms of [extra revenue] potential is very conservative," Mr Kelly told analysts.

The chief executive conceded that revenue growth had slowed in the final quarter of the year, following gains that have helped the domestic industry record its first profitable year since 2000.

"We would be foolish to get addicted to fare increases," said Mr Kelly, though Southwest retained its goal of boosting earnings per share by 15 per cent this year after a 20 per cent rise in 2006 as full-year profits rose from $484m to$499.

Mrm Kelly said there were no troubling signs in short-term demand, with some potential upside from the return of some short-haul traffic after increased security measures last August pushed some travellers from the air to the road.

Load-Date: January 18, 2007

Southwest folds hand on in-flight gambling

FT.com

17 January 2007 Wednesday 9:40:30 PM GMT

FINANCIAL TIMES

Length: 339 words

Byline: Doug Cameron in Chicago

Body

Southwest Airlines, the largest US domestic carrier, has ruled out luring passengers with in-flight gambling, but pledged to introduce alternative new products to counter slowing revenue growth.

The Dallas-based carrier, which on Wednesday reported its 34th consecutive year of profitability, provided the template for the global explosion in low-cost airlines such as Ryanair and easyJet which are now pioneering efforts to introduce onboard gaming and mobile phone calls.

Gary Kelly, Southwest's chief executive, said the airline would introduce new revenue-generating measures by the end of the year, highlighting the potential of travel-related services such as booking hotels through its website.

Southwest's "no-frills" model eschews products such as meals and lounges which rivals have used to boost revenues, and the airline even dropped its contract to carry US mail last year at a time when rivals have sought to boost cargo revenues.

The airline has limited code-sharing selling flights for its partner ATA and its so-called "ancillary revenues" remain proportionally lower than most US carriers.

"What we have tapped so far in terms of [extra revenue] potential is very conservative," Mr Kelly told analysts. He conceded that revenue growth had slowed in the final quarter of the year, following gains which have helped the domestic industry record its first profitable year since 2000.

"We would be foolish to get addicted to fare increases," said Mr Kelly, though Southwest retained its goal of boosting earnings per share by 15 per cent this year after a 20 per cent rise in 2006 as.full-year profits rose from $484m to$499.

Hem said there were no troubling signs in short-term demand, with some potential upside from the return of some short-haul traffic after increased security measures last August pushed some travellers from the air to the road.

American Airlines, the largest US carrier, on Wednesday reported its first profitable year since 2000 as net earnings of$231m rebounded from the$857m loss in the prior year.

Load-Date: January 17, 2007

UK minister slapped down for attack on airlines

FT.com

5 January 2007 Friday 6:41:09 PM GMT

FT FINANCIAL TIMES

Length: 485 words

Byline: Ben Hall in London

Body

A UK government minister who attacked leading European airlines for failing to take climate change seriously was slapped down on Friday by industry critics and government colleagues.

Ian Pearson, the minister for climate change, branded Ryanair, Europe's leading budget airline, as "the irresponsible face of capitalism" because it refuses to believe that air travel is a significant contributor to global warming.

He also took aim at Lufthansa for leaning on the German government, holder of the European Union presidency, to water down plans to include aviation in the EU emissions trading scheme. Mr Pearson described US airlines as "a disgrace" and said British Airways was "only just playing ball" on the need to curb emissions.

His outburst, in an interview with The Guardian newspaper, met a ferocious response from Michael O'Leary, Ryanair's outspoken chief executive, who said the minister was "foolish and ill-informed". Being criticised by Mr Pearson was like being "savaged by a dead sheep", the airline boss added.

Mr Pearson was also rebuked by furious colleagues, who said his outburst contradicted the policy of the government of Tony Blair, prime minister, of working with industry to curb emissions.

A senior official in the environment department said Mr Pearson had been told: "Get back in your box and stay there."

"We want to be at the centre of government decision-making not an arm of Greenpeace."

Environmentalists say urgent action is needed to slow the expansion of air travel, which is now the fastest growing source of carbon emissions in the UK economy. Mr Blair's government has set a goal of cutting carbon emissions by 60 per cent by 2050.

However, government policy is to support the growth of the airline industry by building more runways in south-east Britain, most importantly a third runway at Heathrow, Europe's busiest airport by passenger numbers.

Ministers are also keen to shift the debate away from raising the cost ofair travel through green taxes, which could prove politically unpopular.

Although duty paid by each departing airline passenger is to be doubled next month, this was seen first and foremost as a revenue raising measure rather than an attempt to price passengers out of the skies.

The opposition Conservative and Liberal Democrats parties both say that taxes should instead be levied on aircraft movements, to encourage fuller loads and, ultimately, the adoption of more efficient technology.

Both parties have promised to increase green taxation as a share of national output, pushing climate change to the centre of the political battleground.

The government's hopes of curbing aviation emissions rest on including the sector in the EUTS from 2011, as proposed by the European Commission last month.

However, with flag carriers lobbying hard to reduce their exposure to the scheme, and US airlines fighting against their inclusion, it is far from a done deal.

Load-Date: January 6, 2007

Bid for Aer Lingus lapses

FT.com

20 December 2006 Wednesday 11:58:17 PM GMT

Length: 524 words

Byline: Kevin Done in London and Tobias Buck in Brussels

Body

Ryanair's 1.48bn (bn$2, GBP999m) hostile takeover bid for Aer Lingus lapsed on Wednesday night in the face of serious misgivings expressed by the European competition authorities, which announced the start of an in-depth investigation into the offer.

The low-cost carrier, said, however, that it remained "committed to acquiring Aer Lingus". It intended to make a further offer in the event of the deal eventually being cleared by the European Commission. Under Irish Takeover Panel rules, Ryanair can apply for permission to mount a new bid within 21 days of a final clearance by the Commission.

The launch of the in-depth investigation by European competition regulators into the bid will prolong the legal uncertainty surrounding the deal by another four to five months. The European Commission said it needed more time to examine the trans-action's likely impact on competition.

The combination of Europe's biggest no-frills airline and Ireland's flagship carrier raised "serious competition concerns in the passenger air transport sector and, in particular, could reduce choice for consumers and could give rise to higher fares than would be likely if the two carriers remained separate," it said.

Brussels will have an additional 90 working days until May 11 to scrutinise the deal. The Commission stressed that the opening of an in-depth probe did not prejudge the outcome of the investigation.

It has become extremely rare for Brussels to block mergers. The Commission normally tries to fend off possible competition problems by insisting on concessions such as asset disposals. In previous airline mergers, this has meant that carriers were forced to divest valuable slots at key airports.

Ryanair last month put forward a package of slots it was ready to give up in exchange for Commission approval, but the regulator said yesterday that the initial offer had been "insufficient".

The airline had later tabled a "substantially improved" offer, but Brussels said there had not been enough time to examine this later proposal.

On Wednesday, Ryanair attacked the decision by Brussels and said it flew in the face of the Commission's stated policy of encouraging consolidation among European airlines.

Much larger deals including the Air Francetakeover of KLM, the Dutch flag carrier, had been approved without an in-depth second phase investigation.

Ryanair said that it had offered to give up more than 500 slots, including valuable Aer Lingus slots at London Heathrow, to secure a phase one approval. Air France and KLM had offered only 120 slots at their main airports.

It said: "The commission appears to be applying different and totally inconsistent principles to the Ryanair-Aer Lingus deal than it applied to the much larger Air France-KLM deal, which was waved through with little difficulty in phase one."

Ryanair has built a stake of 25.2 per cent in Aer Lingus, but it has faced tough opposition to its hostile bid. Shareholders holding around 46 per cent of the Aer Lingus equity have come out against the offer including the Irish government with 25.35 per cent and the Aer Lingus employee share ownership trust with 12.58 per cent.

Load-Date: December 21, 2006

Spring's prices 'too low'

FT.com

19 December 2006 Tuesday 12:34:31 AM GMT

FINANCIAL TIMES

Length: 399 words

Byline: Mure Dickie in Beijing

Body

China may have driven down prices the world over for everything from toys to televisions, but officials are calling foul over "China price" airline tickets.

Spring Airlines, which launched a service a year and a half ago as the country's first budget carrier using the business model of airlines such as Ryanair, the no-frills carrier, offered tickets starting at Rmb1 when it began a daily midnight service between the eastern city of Jinan and its base in Shanghai three weeks ago.

This drew the ire of the Jinan Municipal Price Bureau, which has announced its intention to fine Spring Rmb150,000 ($19,000) for breaking a regulation limiting fare discounts to 45 per cent of the base fare, in this case Rmb760.

The proposed fine highlights the difficulties faced by China's infant low-cost carriers in what is a tightly regulated aviation market. "The government determines the degree of float allowed in air ticket prices," a Price Bureau official said on Monday.

Spring is appealing against the proposed fine. The airline, one of a number launched following recent limited liberalisation of the aviation sector, accepts that it violated price controls, but says the 45 per cent limit is frequently breached during the quiet season and that its pricing benefits society.

Zhang Lei, spokesman for Spring, said the cut-price tickets had helped reduce the airline's losses on unpopular late-night flights since passengers had to pay a fuel surcharge and airport tax that brought the true price of their ticket to Rmb151.

Spring 's prices 'too low'

The dispute over the cut-price flights could become a test of the government's willingness to ease controls on the domestic aviation market. Such rules are intended in part to help ensure the profitability of the dominant state-owned but internationally listed carriers Air China, China Eastern and China Southern.

Spring said it was caught in an "extremely difficult" position between the need to obey rules created under China's planned economy and a desire to fully participate in market competition.

Analysts say tight government regulation of fares, sales and distribution networks, and aircraft purchasing are limiting the development of China's budget carriers, which need high passenger volumes to survive.

Officials of the General Administration of Civil Aviation of China, the industry regulator, were on Monday unavailable to comment.

With additional reporting by Sun Yu

Load-Date: December 19, 2006

Airline consolidation

FT.com

14 December 2006 Thursday 3:02:15 AM GMT

Length: 350 words

Body

Passengers may have been horrified to learn of the traces of polonium 210 found recently on commercial aircraft, but many fund managers have viewed airlines as radioactive for years. Plagued by overcapacity and cyclicality, they have been the best example of an industry destined to make sub-economic returns.

Might this change? United Airlines and Continental Airlines, America's second and fourth biggest carriers respectively, are in merger talks. This follows US Airway's $8bn hostile bid for Delta and, in Europe, Ryanair's tilt at Aer Lingus. In Australia, Macquarie Bank's attempt at a leveraged buy-out of Qantas suggests healthy profits are no longer treated as a blip.

The big picture still looks grim. According to the International Air Transport Association, global industry operating profits will be $10bn in 2006, representing a 2 per cent margin and a 4 per cent lease-adjusted post-tax return on invested capital (ROIC). Since the start of 2003, industry revenues have risen by $124bn, or a third, but, incredibly, 90 per cent of this boost has been consumed by higher costs, mainly fuel.

If both US deals occurred, returns there would probably leap. The top three carriers' revenue market shares would rise from 52 per cent to 73 per cent. Potential synergies from cutting capacity and costs are big, if high risk. US Airways, which merged with America West in 2005, thinks a Delta combination would yield, within two years, annual benefits equivalent to 6 per cent of combined sales. If a United and Continental deal also achieved this level, the overall benefit would be $3.4bn, taking US 2006 ROIC from 4 per cent to 6 per cent.

Returns in Asia are now close to the cost of capital. In Europe, they are nowhere near it. Carriers must legally retain national identities, making it hard to integrate businesses fully. Synergies were only 2 per cent of sales after two years at Air France-KLM. An "open skies" agreement, which could change this, looks some way off. Given that the economic and aircraft order cycles are near peaks, fund managers should keep their Geiger counters handy.

Load-Date: December 15, 2006

Airline consolidation

FT.com

13 December 2006 Wednesday 2:27:41 PM GMT

FINANCIAL TIMES

Length: 368 words

Body

Passengers may have been horrified by the traces of polonium-210 recently found on commercial aircraft, but many fund managers have viewed airlines as radioactive for years. Plagued by overcapacity and cyclicality they have been the best example of an industry destined to make sub-economic returns.

Could this be about to change? United Airlines and Continental Airlines, America's second and fourth biggest carriers respectively, are reportedly in merger talks. This follows US Airway's $8bn hostile bid for Delta last month and Ryanair's tilt at Aer Lingus. Meanwhile in Australia, Macquarie Bank's attempt at a leveraged buyout of Qantas suggests that healthy profits are no longer treated as a temporary blip.

The big picture still looks dire. According to data from the International Air Transport Association global industry operating profits were $10bn in 2006, representing a margin of 2 per cent and a 3 per cent pre-tax return on capital. Since the start of 2003, industry revenues have risen by $124bn, or a quarter, but, incredibly, 90 per cent of this top line boost has been eaten up by higher fuel costs.

If both deals occurred US returns would probably leap. The top three carriers' revenue market shares would rise from 52 per cent to 73 per cent. Synergies from rationalising capacity and cost savings appear big. US Airways, which merged with America West in 2005, thinks a Delta combination would yield annual benefits within two years equivalent to 6 per cent of combined sales. If a United and Continental deal also reached this synergy level, the overall benefit to the US industry would be $3.4bn. Given operating profits are currently forecast to be $5.6bn in 2006, that is material.

Proper mergers outside of the US look less likely. The requirement that Europe's airlines retain national identities makes it hard fully to integrate businesses. Synergies were only 2 per cent of sales after two years at Air France KLM. An Open Skies agreement, which might change this, looks some way off. Beyond Europe, nationalistic imperatives are alive and well. Given that both the economic and aircraft order cycles are both near peaks, fund managers should keep their Gieger-counters handy.

Load-Date: December 13, 2006

OFT calls for probe into BAA

FT.com

12 December 2006 Tuesday 10:01:18 AM GMT

FINANCIAL TIMES

Length: 244 words

Byline: FT Reporters

Body

The UK's Office of Fair Trading on Tuesday said it proposed to refer BAA, the country's dominant airports operator, to the Competition Commission, saying it had found evidence of "poor customer satisfaction" and expressing concerns about BAA's investment plans, particularly in south-east England.

John Fingleton, OFT chief executive, said in a statement: "There is evidence of poor quality and high charges BAA's investment plans, which are of great importance to the UK, have raised significant concerns among its customers. These are signs of a market not working well for consumers and we believe that a full inquiry into BAA's structure is justified.'

A referral to the Commission had been widely expected. Some of its leading customers, including British Airways and Ryanair, had called for the group to be broken up.

BAA operates seven UK airports, including London's Heathrow, Gatwick and Stansted. Last year it accounted for 63 per cent of all UK air passengers.

Willie Walsh, BA chief executive, in August said that Heathrow and Stansted should not be owned by the same company.

BAA is currently planning to invest GBP9.5bn in its three London airports in the next 10 years, chiefly at Heathrow and Stansted.

BAA was taken over by a consortium led by Ferrovial, the Spanish group, in June. Ferrovial said during its bid that it was "familiar" with the UK regulatory framework and would "co-operate fully" with any inquiry.

There was no immediate comment from BAA.

Load-Date: December 12, 2006

Regulator urges end to Stansted price cap

FT.com

5 December 2006 Tuesday 3:31:17 PM GMT

FINANCIAL TIMES

Length: 382 words

Byline: Kevin Done, Aerospace Correspondent and Mark Mulligan in Madrid

Body

The present system of price controls for London Stansted airport should be removed, the Civil Aviation Authority, theeconomic regulator for the four biggest UK airports, said on Tuesday.

It may also recommend a similar move for Manchester airport next month.

The recommendation to abandon the present price cap regime for Stansted heralds the biggest shake-up of the economic regulation of UK airports since BAA, the UK airports group, was privatised in 1987.

The initial regulatory proposals are for the three BAA airports designated for price control: Heathrow, Gatwick andStansted. This will lead to the setting of new price controls, at least for Heathrow and Gatwick, in early 2008 for the five-year period from April 2008.

Under the proposals the Heathrow price cap will be the retail price index plus 4-8 per cent each year, compared with the current rate of growth of RPI plus 6.5 per cent.

At Gatwick it recommended little change with an increase of inflation plus a range of minus 2 to plus 2 per cent eachyear, compared with the current rate of growth of the RPI plus zero per cent.

On Stansted, the CAA found only a "limited possibility" that the airport could be expected to enjoy aposition of market power that justified price regulation.

The proposals outlined on Tuesday will be subject to a two-month period of consultation followed by a reference tothe Competition Commission for separate scrutiny.

The CAA recommendations have big implications for Ferrovial, the Spanish construction, infrastructure and servicesgroup, which acquired BAA, the world's leading airports group, in the summer in a highly leveraged takeover whichvalued the BAA equity at GBP10.1bn.

The regulator is recommending a significant reduction in the pre-tax real rate of return allowed to BAA by cuttingthe cost of capital available to the group from the present level of 7.75 per cent to 6.2 per cent.

BAA is currently working with investment bankers on a complex restructuring of about GBP10bn of debt that may entail creating two separate divisions within BAA. One would "ring-fence" revenues from regulated operations awayfrom those from sales in the aiports' retail businesses, which are less predictable. The aim is to refinance atmore attractive interest rates than standard corporate rates.

Ryanair EasyJet

Load-Date: December 5, 2006

Unhappy Iberia may terminate BA tie-up

FT.com

30 November 2006 Thursday 2:22:28 AM GMT

Length: 340 words

Byline: FT Reporters

Body

Iberia opened the door to an alliance with Air France-KLM or Germany's Lufthansa on Wednesday amid unhappinesswith its relationship with British Airways, which owns 10 per cent of the Spanish flag-carrier.

Enrique Dupuy, Iberia's chief financial officer, said in an interview with Expansion, the Financial Times' Spanish partner paper, that BA had not made Iberia one of its first priorities.

"In a marriage you need two ...our priorities and those of BA are not always the same," he said."They [BA] have their priorities ...and Iberia is not in first place."

His comments came as Italian trade union officials said Italy's government was searching for a domestic partner to take a 20-25 per cent stake in Alitalia to preserve the lossmaking national carrier's Italian identity.

Alitalia is in exploratory talks with Air France-KLM over expanding their alliance. But several government ministers and union leaders oppose an accord with the Franco-Dutch airline, which they suspect of wanting to dominateAlitalia.

BA and Iberia signed a strategic alliance in 1999, triggering speculation that BA could buy the smaller Spanishcarrier.

This month, BA increased its stake in Iberia from 9 to 10 per cent to secure two seats on the Iberia board.

Mr Dupuy on Wednesday opened the door for talks with other European groups. "Everything points to three largeEuropean airlines with a global presence, Air France-KLM, Lufthansa and, probably, BA. We are going to be part of one ofthem."

Unhappy Iberia may terminate BA tie-up

Iberia sees the recent bid by Ryanair to take over Aer Lingus, its smaller Irish rival, as a signal of more changesto come in the European airline sector. "It is going to be the beginning of a merger process among the Europeancarriers," Mr Dupuy said.

Asked whether a merger with BA could still go ahead, he said, "for an integration process you need both parts tohave the same desire. That could still happen with BA, but it could also happen with other companies."

He said there were "clear" advantages for an alliance between Iberia with either Air France-KLM orLufthansa.

Load-Date: November 30, 2006

Ryanair raises Aer Lingus stake

FT.com

29 November 2006 Wednesday 11:47:18 PM GMT

Length: 429 words

Byline: Kevin Done in London

Body

Ryanair on Wednesday raised its stake in Aer Lingus, its smaller Irish rival, virtually matching the 25.35 per centholding of the Irish government, the biggest single shareholder.

Europe's leading low-cost carrier launched a 2.80 a share hostile takeover bid for Aer Lingus last month,valuing the airline at 1.48bn.

For the past three weeks Aer Lingus shares have been trading below Ryanair's offer price, as extensiveopposition to the bid has made it increasingly unlikely that Ryanair can succeed in winning majority control withoutsignificantly raising the bid.

Michael O'Leary, Ryanair chief executive, has taken advantage of the weakness in the share price to raise theRyanair stake to 25.2 per cent, buying another 6 per cent of the company at prices between 2.72 and 2.75 a share. The combined size of Ryanair's and the Irish government's holdings effectively blocks a rival bidder from gaining control of Aer Lingus.

The Aer Lingus share price rose briefly in intra-day trading to 2.80 before falling back to close 2 cents higher at 2.74.

Aer Lingus is due to release its final defence document against the bid on Friday and is expected to outline further cost savings for 2007 in an effort to bolster its profitability.

However, Dermot Mannion, Aer Lingus chief executive, appeared to recognise on Wednesday that the group is going tohave to accept having Ryanair as one of its leading shareholders for the longer term.

He said the further in-crease in the Ryanair stake "confirms my own view they are not going anywhere anytimesoon." Ryanair has previously indicated that it plans to remain a long-term shareholder in Aer Lingus and that itcould make a fresh bid after an interval of 12 months, if the current offer fails.

It said last week that it did not intend to raise the current bid price.

Groups holding about 46 per cent of the Aer Lingus equity have already come out against the offer. They include theIrish government, the Aer Lingus employee share ownership trust, an Aer Lingus pilots pension fund and investment fundas well as Denis O'Brien, the Irish telecoms entrepreneur.

The most important rebuff was delivered last week, when the employee trust, which holds a stake of 12.58 per cent,voted 97 per cent in favour of rejecting the bid.

The present closing date for acceptances set by Ryan-air is next Monday, but this could be extended to a final dateof December 22, when the bid would lapse, if the conditions set by the airline are not met.

The European competition authorities are expected to make an initial response to the Ryanair takeover bid nextweek.

Load-Date: November 30, 2006

Air Berlin orders 60 Boeing 737s

FT.com

28 November 2006 Tuesday 12:40:26 PM GMT

FINANCIAL TIMES

Length: 281 words

Byline: Gerrit Wiesmann in Frankfurt

Body

Air Berlin, Europe's third largest low-cost carrier, rattled investors on Tuesday as it announced it would purchase 60 Boeing 737 airliners by 2014, bringing the list price of aircraft it has on order from the US company to $5.7bn (4.3bn)

The airline's shares fell 13 per cent to 14.10 in mid-morning Frankfurt trading, amid fears the group would have to issue new shares to pay for the aircraft. A company spokesman said he had "no information" about such a move.

Air Berlin went public in May to raise money to finance an order for 70 single-aisle A320 airliners from Boeing's European arch-rival Airbus. These carry a list price of around 5bn and will be delivered by 2011.

Joachim Hunold, chief executive, wants to expand Air Berlin's European network and reduce its dependence on charter flights to challenge industry leaders Ryanair and EasyJet.

In August, Mr Hunold said he paid a price in the "mid two-digit-millions" for German rival bda, the former German subsidiary of British Airways, to gain control of its slots at fast-growing Munich and Dusseldorf airports.

With dba, Air Berlin took over an order for 25 Boeing 737s, which it decided to increase by a further 60 in talks over the past few weeks. At the end of the third quarter, Air Berlin and dba operated 89 aircraft, the group said.

Mr Hunold said the size of the order meant Air Berlin had "guaranteed a cheap price" for the aircraft, which would be used to expand the fleet and replace aircraft as they came out of service every six to eight years.

Third-quarter revenues rose 28 per cent to 510m. Operating earnings before interest and taxes rose 5 per cent to 54.3m. The group has carried 12.2m passengers this year.

Load-Date: November 28, 2006

Ryanair/Aer Lingus

FT.com

24 November 2006 Friday 10:34:02 PM GMT

Length: 234 words

Body

Having just sold 24m of Ryanair shares, one wonders why Michael O'Leary, its chief executive, bothers going into the office. Yet his enthusiasm for the job and for taking over Ryanair's Irish rival Aer Lingus seems undimmed. Now that Aer Lingus employees have rejected Ryanair's 2.80-a-share bid, though, he is unlikely to succeed.

This battle may be over, but the war is not. Ryanair still owns 19 per cent of Aer Lingus, mostly bought at 2.42 a share. This makes it unlikely that any alternative bid will materialise. Aer Lingus's shares will also be illiquid, with nearly two-thirds in the hands of employees, the government and Ryanair. Assuming Ryanair's offer lapses on December 22, it can bid again in a year's time. Until then, it can buy more Aer Lingus shares at below 2.80. These closed on Friday at 2.68.

The European competition authorities will issue a preliminary judgment on the bid by December 6. Even if further investigation is recommended, Ryanair will gain useful information on what remedies might be imposed if a bid were successful.

Meanwhile, Aer Lingus's management will be under severe pressure. Investors will require share price increases; unions may feel less supportive if costs are squeezed; and the management must start to deliver on a demanding business plan. It is difficult not to feel that, while Aer Lingus now has the worst of both worlds, Ryanair has the best.

Load-Date: November 24, 2006

Let us bray

FT.com

24 November 2006 Friday 3:09:43 PM GMT

Length: 901 words

Byline: Tom Braithwaite

Body

It is that blissful few minutes between the duty-free trolley and the sale of scratchcards. Wedged into a seat, you somehow manage to drift into sleep. But then you are woken by a chilling sound. Is an engine falling off? No, the Crazy Frog ringtone has invaded the skies.

If Ryanair and Emirates can manage it - and both the highly profitable low-cost airline and its luxury peer rarely get it wrong - this will be a familiar scene from the middle of next year. While a number of airlines are lukewarm on the wisdom of allowing passengers to use mobile phones in the air, the pair intend to plunge straight into commercial use of new technology in 2007 that will cause the last bastion of phone-free peace to be invaded.

As well as an opportunity to get one over on its bigger rivals, Ryanair also sees phones as a platform for in-flight entertainment and gambling to generate additional revenues. "If you want a quiet flight, use another airline," said Michael O'Leary, the company's chief executive, when he announced the new service in August. "Ryanair is noisy, full and we are always trying to sell you something."

For technology lovers, the ever-forceful O'Leary and the providers of the service have a point. Why on earth do you have to be earthbound to make mobile phone calls, compose crucial BlackBerry messages or surf the web?

But in spite of the growing spread of phones and personal digital assistants, finding a successful business model for airline technology has proved elusive. Boeing, the aircraft manufacturer, gambled on in-flight passenger communications and lost spectacularly. Airlines dropped orders for its Connexion broadband service in cost-cutting exercises after the September 11 attacks. Those that stayed faithful - such as Boeing's most committed Connexion customer, Lufthansa, will be left high and dry at the end of the year when the manufacturer pulls the plug.

Passengers who need to make important calls already can, of course - although it is generally expensive, requires a credit card, and they cannot receive in-bound calls.

Like Boeing, other pioneers in in-flight communications have failed to find enough passengers willing to pay premium prices for the services. Verizon Communications said in June that it would cancel its US Airfone product, which costs passengers calling fixed lines $3.99 to connect and $4.99 per minute.

But if the story of in-flight telephony is not one of steady progress, 2007 is still likely to prove a landmark year as competing operators look to pick up where Boeing and Verizon gave up. The new entrants' belief is that those frequent fliers who shied away from the hassle and expense of previous products will be unable to resist the prospect of using their own phones and paying a modest charge to their own bills.

The OnAir consortium will test its service allowing mobile phone calls at a normal roaming rate in January before providing it to Ryanair's fleet in the second half of the year. Broadband internet access is expected to follow close behind, although not at the high speeds that Connexion offered.

Meanwhile, Dubai-based Emirates is pioneering the competing AeroMobile system on a Boeing 777 in January. Inmarsat, the satellite operator that provides the backbone for both the new mobile phone services and part of the established fixed phone market, said that lower prices and charging via mobile phone bills rather than credit cards would make a big difference. "People never really used [the fixed phones]," admits Paul Griffith, vice-president at Inmarsat. "[Now] the roaming rates will be equivalent to if you were travelling to France or Germany."

The industry is alive to concerns that chirruping mobile phones could be a cause of air rage. Both AeroMobile and OnAir's systems give the crew the power to prevent passengers from making calls at night, although a "silent mode" will allow insomniacs to check their BlackBerrys or send text messages.

The ground-based mobile operators see the services as a possible revenue generator but are concerned about possible interference with mobile communications on the ground. It is partly for this reason that flight crew solemnly warn passengers to turn off their mobile phones for the duration of the flight with the implicit threat that it could bring down the aircraft. While the risk of mobile phones obstructing avionics equipment is not imaginary, it is widely thought to be overblown. "Although the use of mobile phones on aircraft has not been permitted due to safety concerns, it appears that for every eight or 10 passengers on an aircraft there will be one mobile phone left on, very often in luggage that cannot be easily accessed," says Chris Kemp, regulatory director at Ericsson, the handset maker. "Such active mobile phones do not appear to have any impact on avionic systems." In any case, it is a primary area of concern for regulators as they examine whether to approve different systems.

Even if large numbers of passengers are making and receiving telephone calls and sending e-mails by the end of next year, there will still be one significant gap: the US. Regulators are yet to be convinced of the benefits of lifting a ban on the use of mobile phones and any US services in commercial airliners are not expected before 2008. To look on the bright side, passengers flying over the country will be spared the Crazy Frog for the foreseeable future.

Load-Date: November 24, 2006

The only way is up

FT.com

24 November 2006 Friday 3:09:44 PM GMT

FT FINANCIAL TIMES

Length: 1965 words

Byline: Kevin Done

Body

You are on your way to the airport, flying out for a meeting that could make or break your career - even your company. Then the traffic closes in and your taxi gets stuck in a full-on, bumper-to-bumper jam. That familiar feeling of dread fills your stomach and by the time it rises to your head you know you're not going to make it. Either you fret and then flail around with your phone, or you slide back in your seat and allow yourself to have a silly thought: never mind, the plane will wait for me.

Well, soon it will.

At least that's the promise of a company that is serious about turning your silly thought into a business proposition. If everything goes to plan, in 2009 JetBird will start operating Europe's first low-cost, on-demand private jet service. And on its website it promises, among other things, that: "If you are stuck in traffic or held up in a meeting, we will wait for you."

The man behind this venture is no fantasist who has spent too much time in the back of a cab in traffic thinking up ways to make money from his (and everyone else's) misfortune. In fact, Domhnal Slattery has already made millions in aviation - and he's not even 40 yet. He reckons he can do it again.

Slattery hasn't revealed exactly how many tens of millions of euros he received by selling his aviation advisory business, IAMG, to Royal Bank of Scotland in 2001. But he believes he has found a way to repeat his success by making the glamorous world of private jet travel available to the "mass affluent" of Europe.

There is something familiar about the style, about the easy eloquence of the man as he flips rapidly through his presentation charts over breakfast at a fashionable boutique hotel in the shadow of London's Telecom Tower. It's that Irish thing. Slattery learnt the trade at GPA, formerly Guinness Peat Aviation, the pioneering aircraft leasing company led by the legendary Tony Ryan, which acted as a business school for a generation of bright young Irishmen in the 1980s. It was Ryan too who gave us Ryanair and that other Irish airline entrepreneur Michael O'Leary. It must be something in the water. But whatever it is, Slattery has always been a bit of prodigy - he joined GPA as trading-floor officer, what he calls the lowest rung on the management ladder, at just 22.

This is Slattery's proposition: Europe has a bigger population than the US, while incomes are expanding at similar rates on both side of the north Atlantic. There are 2.8 million individuals in Europe with assets of more than $1m - roughly similar to the 2.9 million in the US, according to the latest Merrill Lynch/Capgemini world wealth report. Despite all that wealth, the number of corporate jets in Europe is still only 20 per cent of what it is in the US. Yet the hassle and inconvenience of European commercial air travel are just as great, and the attractions of travelling by private jet just as real.

Business aviation is already growing strongly around the world. The US is the heartland of the industry and accounts for three-quarters of the world fleet of business jets, but demand is now also flowing in from Europe, Russia, Asia, the Middle East and Latin America.

Slattery believes private jet travel is now poised to make the next big leap, with a new generation of cheaper jets coming on to the market - and he wants JetBird to be first mover in Europe.

He knows a thing or two about the business. In 1994, a year after Jack Welch's GE Capital bought GPA (now GE Capital Aviation Services), Slattery moved out and set up his own business, crossing the fence to advise airlines on their dealings with leasing companies and banks, first in Latin America and then around the globe. When he sold his company to Royal Bank of Scotland, IAMG was underwriting and arranging $1bn of business annually.

He has remained a non-executive director at RBS Aviation Capital, but the day-to-day focus of his activities is Claret Capital, a Dublin-based private investment company formed to manage the private wealth of four Irish families, including the Slattery fortune. Claret Capital has moved into property and private equity, but along the way Slattery has been unable to resist the pull of aviation.

Across Europe and the US, start-up ventures - often called air-taxi or air-limousine services - are emerging, taking advantage of the newest arrival on the business jet scene, so-called very light jets (VLJs). "The economic model for [private] jet travel is about to change, because of the dramatically reduced costs per seat mile these aircraft offer," says Jack Pelton, chief executive of Cessna Aircraft, a subsidiary of the US company Textron. Advances in small jet engines and avionics, and higher-volume production rates will make VLJs cheaper to buy and run. "This change in economics will allow today's air charter and fractional operators to lower their costs and attract a whole new market to their services," Pelton says.

Some of the first models, such as the Eclipse 500 and the Cessna Mustang, have recently received certification from the US Federal Aviation Authority, clearing the way for deliveries.

Ronald Epstein, a research analyst at Merrill Lynch, says private aviation is evolving "from a luxury of the highest-paid corporate jet-setters to something more of a tool used by mid-level managers and the upper middle class."

JetBird will be based in Switzerland. As the fleet grows, the plan is that further bases will be developed in Germany, France, the UK and Italy. Data from Eurocontrol, the European air traffic control organisation, show how most business aviation traffic in Europe is concentrated roughly along a London-Rome axis, taking in Paris, Geneva, Cannes and Milan.

Slattery believes he will be able to offer a traditional private-jet premium service but at a much lower price: one comparable to current business-class travel and costing less than 50 per cent of existing branded private jet services.

JetBird will be able to operate to and from more than 800 European destinations, with flights typically of 60-90 minutes duration. Customers will be able to book flights online, by phone or through travel companies, and they will be able to book on a flight-by-flight basis or through a pre-paid membership card. Flights will be charged by the hour with the flat hourly rate including take-off and landing charges.

Slattery maintains that JetBird's hourly charges will be around half of those levied by NetJets, the biggest operator of private jets, owned by legendary investor Warren Buffett. A JetBird customer will have sole use of the aircraft once booked and will not have to share it - although additional passengers can be added to your flight booking for a small premium per person. He says that, for three colleagues or members of a family flying together, the shared cost will typically be less than the cost of each travelling business class.

JetBird has ordered 50 of the Brazilian manufacturer Embraer's Phenom 100 aircraft and has options for another 50. First delivery is in April 2009. At $2.85m (at January 2005 prices), the Phenom 100 will seat four passengers and have a range of 1,160 nautical miles (2,148km).

On the other side of the Atlantic, Florida-based DayJet aims to start a similar service early next year from five Florida cities. It is also eyeing the European market.

Amid all the froth of a rapidly rising market the world of business aviation is beginning to offer some uncomfortable reminders of the years when the dotcom bubble was inflating: new business models, seemingly endless demand stretching to a blue horizon, paradigm shifts in behaviour.

And some of the biggest operators clearly cannot help themselves. Buffett famously bought NetJets because he used the service himself and loved it. Yet it was this same Warren Buffett who famously warned students in the early 1990s of the financial dangers of falling in love with flight, given airlines' unfailing ability to destroy rather than add value. ("If you had been down there at Kitty Hawk, and you had seen this guy go up, and all of a sudden this vision hit you that tens of millions of people would be doing this all over the world one day and that it would bring us all closer together, [you would] think, my God, this is something to be in on. But if there had been a capitalist down there, the guy would have shot down Wilbur [and Orville Wright in 1903]. You know, 'one small step for mankind, one huge step backwards for capitalism'.")

Despite operating a fleet of hundreds of business jets across north America and increasingly in Europe, NetJets has struggled to make money. In his latest annual letter to shareholders earlier this year Buffett was forced to confess: "I said last year that this business would earn money in 2005 - and I was dead wrong."

Buffett appears to remain relaxed about the losses, however, and is irredeemably hooked on the private-jet experience. "Once a customer has tried us, going back to commercial aviation is like going back to holding hands," he told his shareholders.

As the world of private jets expands, many new actors are being attracted to the scene. One of them is Ricky Sitomer, who made his first millions as a Wall Street broker during the dotcom boom.

Seated in the gilded foyer of London's Dorchester Hotel recently, he laid out his plans to open a London office and begin to tap the UK market. This will be his first move outside the US, where he claims to have become the largest broker of private jets in little more than five years. "We had a great run [as Wall Street brokers], but then the market tanked. We were tech-heavy. We had to decide, did we want to rebuild or go to another growth business? We chose a growth industry."

When the times were hot on Wall Street, Sitomer liked to offer his star employees private-jet travel to Las Vegas or Atlantic City as incentive rewards - but often he was unable to find the right aircraft at the right time. The business idea was born.

"We ran in circles with other people that used private jets. Of our contemporaries more and more were flying privately. We were aware of the potential demand."

He now claims a workforce of 250 salesmen at his brokerage, Blue Star Jets, spread across offices in New York, Los Angeles, Boca Raton, Miami and Chicago, and says he is looking for between 50 and 100 sales people in London.

"We are in the personal luxury and lifestyle business. We like personal service," he says. "Our representatives organise everything, including the food onboard and the flowers for the wife."

The brashness of Blue Star's approach has not endeared Sitomer to some of his much longer-established rivals, but he is unapologetic. He even took the name for his company from the movie Wall Street, in which Michael Douglas's character Gordon Gekko, a power-hungry corporate raider, seeks to buy an airline called Blue Star using inside information. Gekko, typified by his "greed is good" speech, was supposed to be the villain of the piece, but appears to have become an inspiration for a generation of Wall Street brokers. "We did like the movie," says Sitomer. "We are from Wall Street. We chose [the name] for brand recognition. It is ironic -well, Michael Douglas liked it. Our name has become synonymous with service and great luxury. I don't think I will regret it."

Sitomer claims access as a broker to more than 3,500 private jets in the US, and he believes charter or jet-card membership schemes will lure customers away from fractional ownership companies such as NetJets, because they do not involve the same level of long-term, financial commitment.

"My goal is having the woman taking tea in Palm Beach saying not that she flew in a Gulfstream G550, but that she flew Blue Star as a luxury status symbol."

Kevin Done is the FT's aerospace correspondent.

Load-Date: November 24, 2006

Air France-KLM in early talks with Alitalia

FT.com

23 November 2006 Thursday 7:01:45 PM GMT

FINANCIAL TIMES

Length: 476 words

Byline: Kevin Done, Aerospace Correspondent

Body

Air France-KLM is in exploratory talks with Alitalia that could lead to an eventual takeover of the loss-making, partly state-owned Italian flag carrier.

Jean-Cyril Spinetta, chairman and chief executive of Air France-KLM, the world's largest airline by turnover, said on Thursday that at the request of Alitalia, the group was examining whether the "prerequisites" yet existed for opening formal negotiations.

He said Air France-KLM had to be satisfied that the Italian airline was financially stable, that it shared a common strategic vision with the Franco-Dutch group and that significant synergies could be achieved.

Alitalia is already a member of the SkyTeam global airline alliance led by Air France-KLM and Delta Air Lines of the US, and Air France-KLM and Alitalia have held symbolic 2 per cent cross-shareholdings in each other and have had membership of each other's boards since 2003. They also operate in an alliance on the main trunk routes between France and Italy.

When Air France announced the takeover of KLM in late 2003, Mr Spinetta said that Alitalia could also eventually become part of the enlarged group, but any such move has since been held up by the parlous financial performance of the Italian carrier, which is still making heavy losses despite a series of Italian state-led rescue attempts.

Investors in Paris reacted negatively to news of the talks, sending Air France shares down 7 per cent in lunchtime trading to 30.02.

Air France - KLM in early talks with Alitalia

Alitalia said that "exploratory exchanges" were under way with Air France-KLM. The talks were "aimed at finding satisfactory answers to some strategic issues" and were "still at an early stage and not exclusive."

Mr Spinetta, who led the first takeover of a European flag carrier three years ago with the acquisition of KLM, said that deal had shown that airline mergers could create value.

"Consolidation is playing a major role in improving the economic performance of European carriers," he said.

News of the talks came as Air France-KLM reported a 30.5 per cent increase in operating profits from 750m to 979m ($1.27bn) in the first half, although operating profits rose by only 7.8 per cent in the second quarter to 568m

The Air France-KLM lead has since been followed by last year's agreement for Germany's Lufthansa to take over Swiss, and Mr Spinetta said that the process of consolidation in Europe was "not yet complete."

In the most recent move Ireland's Ryanair, the leading European low cost carrier, last month launched a 1.48bn hostile takeover bid for Aer Lingus, its smaller local rival.

Ryanair has built a 19.2 per cent stake in Aer Lingus, but the bid appears to be foundering in the face of strong opposition by shareholders holding around 46 per cent of the Aer Lingus equity, including the Irish government with 25.4 per cent and the employee share ownership trust with 12.6 per cent.

Load-Date: November 23, 2006

Air France-KLM sees 'robust' second half

FT.com

23 November 2006 Thursday 1:04:05 PM GMT

FT FINANCIAL TIMES

Length: 655 words

Byline: Kevin Done, Aerospace Correspondent

Body

Air France-KLM on Thursday reported a strong increased in operating profits for the first six months and said it expected "robust" traffic levels and forward bookings in the second half of the financial year.

The airline, formed in 2004 through Air France's takeover of KLM, the Dutch flag carrier, forecast a "significant increase" in operating profits for the full year despite a sharp downturn in the profitability of its cargo operations in the second quarter.

Jean-Cyril Spinetta, chairman and chief executive, said the group was pressing ahead with its planned launch of a low-cost airline subsidiary in France in order to take a share of the growing short-haul leisure market.

The group has previously stood aloof from the the fast-growing low-cost airline sector in Europe. However, it is facing growing competition from a number of no-frills operators, led by EasyJet and Ryanair and including more recent start-ups such as Spain's Vueling, which are gradually building a presence in the French market despite problems in gaining take-off and landing slots in particular, at the two main Paris airports.

Air France-KLM reported a 30.5 per cent increase in operating profits from 750m to 979m ($1.27bn) in the first half, although operating profits rose by only 7.8 per cent in the second quarter to 568m.

Group turnover rose by 10.3 per cent from 10.8bn to 11.9bn in the first half, as the group benefited from the strong increase in demand for air travel in particular from premium passengers on long-haul routes.

Air France-KLM said that its operating margin had risen by 1.2 percentage points to 9.1 per cent in the first half, one of the best performances among European carriers.

Air France-KLM sees 'robust' second half

The group is gaining market share in European long-haul traffic through its strengthened network based on its Paris Charles de Gaulle and Amsterdam Schiphol airport hubs created by the merger of the French and Dutch airlines.

It said it had again raised its target for revenue and cost synergies to be gained from the merger, which were expected to reach 1bn by 2010-11, up from 605m in 2007-08.

The group was spending around 100m a year on the development of joint information technology systems with a key move planned in 2007 with the transfer by KLM to the same Amadeus reservations system used by Air France.

The group suffered a sharp downturn in the profitability of its cargo operations in the second quarter, which fell to an operating loss of 6m from a profit of 34m a year ago under the impact of much tougher competition in Asia. It said that cargo traffic flows had weakened in particular from Japan, South Korea and India.

Mr Spinetta said the group was accelerating the renewal of its cargo fleet, which was still operating a number of old, inefficient aircraft with high fuel consumption, whch had been hit by the surge in oil prices.

By contrast, operating profits from passenger operations rose by 18.8 per cent in the quarter from 425m to 505m.

Mr Spinetta said the low-cost scheduled and charter subsidiary would be based at the south terminal at Paris Orly airport.

The business will be based on an expansion of the Transavia.com subsidiary of KLM, which is the leading no-frills operator at Amsterdam Schiphol airport.

Transavia.com, which has operating bases at Amsterdam Schiphol, Rotterdam and Eindhoven airports, has been seeking to expand beyond the Netherlands, and the base at Paris Orly will be the first such move.

Mr Spinetta said Transavia.com France would be owned 60 per cent by Air France and 40 per cent by Transavia.com.

It was planning to establish a fleet of 10 leased Boeing 737-800s by 2009 with four operating next year, and would launch a network of nine routes from April, 2007 rising to 16 in the summer season of 2008 chiefly to Mediterranean destinations including Spain, Morocco and Tunisia.

The group was planning to invest 20m in the venture and expected it to be profitable within two years.

Load-Date: November 23, 2006

Aer Lingus staff trust rejects Ryanair

FT.com

22 November 2006 Wednesday 11:04:14 PM GMT

FINANCIAL TIMES

Length: 309 words

Byline: John Murray Brown in Dublin

Body

Ryanair's 1.48bn (GBP1bn) hostile bid for Aer Lingus has been rebuffed by staff, with 97 per cent of the former state airline's employee share ownership trust (Esot) rejecting the offer in a ballot of its 4,666 members

Esot owns 12.58 per cent. Michael O'Leary, Ryanair's chief executive, has long argued that, without the trust's backing, the Ryanair bid was unlikely to succeed.

Bernard Harbor, spokesman for Impact, the union representing cabin crew, pilots and middle managers, said: "I doubt if they would have voted for Michael O'Leary as boss at any price."

Given opposition from the Irish government, with 25 per cent, two pilots' bodies with 4 per cent and Denis O'Brien, an Irish businessman with 2.1 per cent, some analysts assume the Ryanair bid is dead.

Ryanair, which acquired 19.2 per cent of Aer Lingus in the wake of its initial public offering in September, said on Tuesday it would not raise the offer of 2.80 a share except where there was a counterbid from a white knight or where the Aer Lingus board recommended a higher Ryanair offer.

Advisers say Ryanair may be content to let the offer lapse and see Brussels rule in its favour over antitrust issues, knowing that in a year it would be able to mount another bid without the uncertainty of a possible regulatory challenge.

The Ryanair offer runs to December 4, when it lapses unless the company chooses to extend the offer period.

On December 6 the European Commission is to rule on whether the deal is big enough to trigger a full competition probe.

Aer Lingus staff trust rejects Ryanair

Aer Lingus shares closed down 5 cents last night at 2.61, or lower than the offer price.

However, hedge funds have been buying shares and appear not to have ruled out the possibility of an increased offer.

Separately Mr O'Leary disclosed he had sold 2.5m shares in Ryanair at 9.70. He still owns 32.5m, or 4.2 per cent of the equity.

Load-Date: November 22, 2006

Bonderman a frequent aviation investor

FT.com

22 November 2006 Wednesday 6:40:10 AM GMT

Length: 344 words

Byline: Doug Cameron in Chicago

Body

David Bonderman, the founding partner of Texas Pacific Group, has never shirked from opportunistic interest in the airline industry, highlighted by an audacious if unsuccessful effort to join a union-backed bid for Boeing's commercial aircraft business in 2003.

The Texas-based businessman has proved an astute observer of the airline sector through a series of deals including the rescue of America West and Continental Airlines, and his identification of the potential now stamped on the European market by Ryanair, the fast-growing Irish carrier he now chairs.

However, TPG's interest comes amid signs that private equity groups are losing interest in the sector targeted because of strong profit growth outside the US and a shortage of aircraft that had prompted interest in leasing companies.

Mr Bonderman's influence in the industry was reflected in an address last June to the International Air Transport Association. "It's time to sell, ladies and gentleman," he told his audience in Paris. "This is as good as it gets in the airline industry and it's only going to get worse."

He suggested there were limited opportunities in an industry which saw record orders last year, driven by rising demand from carriers in the Middle East and Asia, notably India and China. The peak, he said, had been reached.

Such "opportunities" included investment in Tiger Airways, a low-cost offshoot of Singapore Airlines backed by Indigo Partners, an investment vehicle including Mr Bonderman, Bill Franke, a former head of America West, and Tony Ryan, Ryanair's founder.

Bonderman a frequent aviation investor

Mr Bonderman also has interest in groups with investments in IndiGo, an Indian start-up with orders for 100 aircraft and, alongside Mr Franke, the Hungarian-Polish low-cost operator Wizz Air.

Over the years, TPG has also made opportunistic efforts to acquire stakes in other flag carriers, including South African Airways, and was also instrumental in the rescue of GPA, the Irish aircraft lessor which ultimately formed the basis for the expansion of General Electric's Gecas unit, the global industry leader.

Load-Date: November 22, 2006

FTSE higher as ICI shares rally

FT.com

22 November 2006 Wednesday 9:19:02 AM GMT

FINANCIAL TIMES

Length: 254 words

Byline: Donna Haddaway

Body

London equities had a positive start to trade on Wednesday following the steady sessions in the US and Asia overnight, and as ICI shares leapt on disposal news.

Shares in ICI led the FTSE gainers, up 9 per cent at 421p, after it announced the sale of Quest, its flavours and fragrance business, to Givaudan for GBP1.2bn.

The FTSE 100 rose 27.8 points, or 0.5 per cent, to 6,231.9 while the mid-cap FTSE 250 was up 24.8 points, or 0.2 per cent at 10,775.8.

In the US overnight, the Nasdaq Composite was up 2.12 points, or 0.1 per cent higher at 2,454.84 while the S&P 500 rose 2.31 points, or 0.2 per cent, at 1,402.81. The Dow Jones Industrial Average reversed early losses and ended the day 5.05 points, or 0.04 per cent, higher at 12,321.59.

Back in London, firmer metal prices gave strength to the mining sector such as Antofagasta, up 2.4 per cent at 484lp, and Xstrata, 2.2 per cent higher at GBP22.75.

Airline stocks were given a boost following news that Australia's Macquarie Bank and Texas Pacific Group have made a buyout offer for Qantas Airways that could be worth more than $10Abn.

British Airways rose 2.1 per cent to 491p, EasyJet was up 1.9 per cent to 568p and Ryanair increased1.6 per cent to 9.81.

On the downside, DSG International lost 4.2 per cent to 209p after it reported mixed first-half numbers.

Several stocks were hit as they began trading without the latest dividend rights.

Scottish Power fell 1.1 per cent to 752lp, Next was down 0.8 per cent at GBP19.08 and Debenhams was lower by 1.5 per cent at 200p.

Load-Date: November 22, 2006

Qantas pursued by Macquarie-led group

FT.com

22 November 2006 Wednesday 6:40:12 AM GMT

FINANCIAL TIMES

Length: 468 words

Byline: Virginia Marsh in Sydney and Doug Cameron in Chicago

Body

Qantas, Australia's dominant airline, has received an A$10bn takeover approach from a consortium led by Macquarie Bank and Texas Pacific Group, the US buy-out firm, highlighting continuing interest in the sector from the alternative investment community.

The airline confirmed the tentative interest on Wednesday following recent speculation, with its share price climbing 14.5 per cent to a 52-week high of A$4.98.

The preliminary offer is the latest in a series of deals in the highly cyclical business, though a number of initial public offerings and exits by private equity groups had led many analysts to believe the sector had peaked.

However, TPG's head, David Bonderman, has proved an adept investor in the sector, taking Continental Airlines out of bankruptcy in 1993. He is now chairman of Ryanair, the European airline which launched an opportunistic bid for Aer Lingus just days after the Irish flag carrier's IPO last month.

Qantas was privatised in 1993 and is ranked among the world's 30 largest carriers, with earnings driven by the rapid growth of the Asia-Pacific travel market and international traffic driven by Australia's commodity-rich economy.

Takeover speculation had helped its share price climb 50 per cent since August when it reported a drop in operating profits amid intensifying competition in its deregulated domestic market from rivals such as Virgin Blue, and internationally from Emirates and Singapore Airlines.

TPG and Macquarie had reportedly been preparing a bid valued at A$5.20-A$5.50 a share. Qantas closed Tuesday at A$4.35. "The approach is confidential and incomplete and is being investigated by Qantas," the airline said in a brief statement.

Macquarie, the acquisitive Australian financial services and infrastructure management group, declined to comment.

A takeover of Qantas, an iconic Australian company and the world's second oldest airline, would be one of the highest-profile private equity deals of recent times and by far the biggest such deal in Australia.

Any deal would have to be structured to comply with the remaining foreign ownership limits on Qantas, which has nearly 40,000 employees and a more than 60 per cent share of Australia's domestic aviation market. Foreign ownership is capped at 49 per cent with any single investor restricted to a 25 per cent holding.

The approach is part of the flood of private equity interest in Australia. It follows two deals in the past month involving private equity worth A$8.5bn in the media sector alone.

The potential deal would be one of the largest in which Macquarie, the world's biggest private infrastructure operator, has been involved. Through its listed funds arm, it already manages Sydney Airport, which includes a Qantas terminal, and has a long history of involvement in aircraft leasing and financing.

Load-Date: November 22, 2006

European airlines

FT.com

19 November 2006 Sunday 10:22:32 PM GMT

FINANCIAL TIMES

Length: 320 words

Body

Airline stocks are at record highs. For an industry that has lost more than $40bn in the past five years, and has become more inclined to pessimism than optimism, this is quite an achievement. Shares have received their biggest boost from the fall in the oil price. Fuel, 12 per cent of Association of European Airlines members' total costs in 2003, accounted for 20 per cent by last year, and for some operators much more. Airlines that chose not to hedge their fuel costs, such as Ryanair and Iberia, are the most obvious beneficiaries of the sharp decline. The impact on other airlines varies. For some, such as Lufthansa, a 10 per cent fall in the fuel price is estimated to result in a jump in operating profits of nearly a third. Airlines that imposed fuel surcharges on tickets are also unlikely to remove them swiftly. British Airways now imposes a GBP70 surcharge for long-haul return flights.

Fuel prices are not the only good news for airlines. Passenger numbers, which grew more than 5 per cent last year, are still increasing. Yields which measure revenues per kilometre are generally stable or rising.

Some caveats, though, are appropriate. The airline industry remains hostage to external shocks be it another rise in the oil price, terrorist activity or global epidemics. There are more predictable clouds on the horizon, as well. After a post-9/11 lull, there has been a huge surge in aircraft orders in the past year. Capacity in European short-haul, where yields are already falling, is expected to grow particularly strongly.

So far, earnings estimates have only partially emulated share price rises, mainly because the consensus is expecting another oil price rally. Yet, on both earnings-per-share and cash flow-based valuations, the European airline sector is trading only at the top end of its historic range. Just a little bit more optimism on the oil price could give further fuel to the rally.

Load-Date: November 19, 2006

Vueling aims to raise 200m

FT.com

17 November 2006 Friday 7:02:12 PM GMT

FINANCIAL TIMES

Length: 355 words

Byline: Kevin Done, aerospace correspondent

Body

Vueling, the Spanish low cost start-up airline, launched its initial public offering on Friday aimed at raising around 200m in fresh equity to support its rapid expansion from current bases in Barcelona and Madrid.

The airline began flying in July 2004 and will have a fleet of 16 180-seat Airbus A320s by the end of the year, rising to 25 in 2007.

Currently Vueling is owned 42.6 per cent by Apax Partners, the UK private equity group and 32.2 per cent by Inversiones Hemisferio, the Lara family investment fund which includes Grupo Planeta, the Spanish media group. A 7.6 per cent stake is held by VA Investors, led by Dave Barger, president of JetBlue Airways, the US low-cost carrier, while 15.8 per cent is held by management.

Under the IPO plan some 42.62 per cent of the airline will be floated, but this could rise to 46.88 per cent if the greenshoe overallotment tranche is exercised.

The indicative price range for the issue was set at 24- 32 a share, which would value the carrier including the new equity at 359m- 478m.

Vueling is the third European airline to be floated this year following Air Berlin and Ireland's Aer Lingus, as carriers seek to take advantage of the big rise in airline share prices this year, which have been boosted by strong demand for air travel and since August by the fall in oil prices.

The Vueling issue is expected to be priced on November 29. The global co-ordinators and bookrunners for the issue are Goldman Sachs, Morgan Stanley and JP Morgan.

Vueling is facing rising competition, as Spain has become the main focus for the expansion of the low cost carriers in Europe after the UK and Germany. Both Ryanair and EasyJet recently announced plans to open operating bases in Madrid. Ryanair is also expanding quickly from its first Spanish base at Barcelona-Gerona.

Iberia, the Spanish flag carrier, has itself been cutting loss-making short-haul routes, but has also responded to the competitive threat by leading the start-up last month of another low cost carrier, Clickair, from a base in Barcelona. Spanair, a subsidiary of SAS Scandinavian Airlines, is also adding to capacity in Spain.

Load-Date: November 17, 2006

Air France-KLM plans low-cost carrier

FT.com

17 November 2006 Friday 5:17:35 PM GMT

FINANCIAL TIMES

Length: 598 words

Byline: Kevin Done, Aerospace Correspondent

Body

Air France-KLM, Europe's biggest airline, is planning to launch a hybrid low cost scheduled and charter subsidiary in France, after accepting that it can no longer stand aloof from the development of the fast-growing no-frills airline sector.

The project is expected to be approved at a meeting of the Air France board on Wednesday.

"For many years Air France was so arrogant to expect it could keep the low cost carriers out of its market with the help of the French government, but now it realises that Brussels will not let the government act in this way any more," said a European airline executive.

EasyJet, the UK low cost carrier, has led the battle to break into the French market but has faced a tough struggle with the French authorities in particular to gain more take-off and landing slots to expand its base at Paris Orly airport.

Air France said it was also planning to establish its low cost subsidiary at Orly, where it would use a separate terminal to its mainline operations.

Full service airlines around the world have had a chequered history of trying to launch low cost operations. British Airways sold off its Go subsidiary in mid-2001, but more recently Lufthansa has developed Germanwings as its low cost arm and last month Spain's Iberia led the launch of a low cost affiliate Clickair based in Barcelona.

The Air France business will be based on an expansion of the Transavia.com subsidiary of KLM, the Dutch national carrier, which Air France took over in 2004.

Air France - KLM plans low-cost carrier

While Air France has previously held back from entering the low cost sector, KLM has made several efforts to respond to the competitive challenge posed by the no-frills operators.

It previously launched Buzz in the UK, as a low cost brand at London Stansted airport and tried to develop Basiq Air as a low cost scheduled brand in the Netherlands as an extension of its Transavia charter business.

Both failed, with the loss-making Buzz operation being taken over by Ireland's Ryanair in 2003. The Basiq Air brand was dropped at the end of 2004, when KLM decided to develop Transavia as a hybrid charter and scheduled leisure operator, which was rebranded as Transavia.com.

Transavia.com, which has operating bases at Amsterdam Schiphol, Rotterdam and Eindhoven airports, has been seeking to expand beyond the Netherlands, and the base at Paris Orly will be the first such move.

Air France said it would maintain the Transavia.com brand for the French operation, which would be owned 60 per cent by Air France and 40 per cent by Transavia.com.

It will be French registered with personnel working under French labour contracts in an effort to avoid conflicts with Air France's heavily entrenched trades unions.

A spokeswoman for Transavia.com said the Dutch side would contribute expertise in running a hybrid charter and low cost scheduled operation and was expected to run areas such as aircraft maintenance and pilot training.

Air France said the French Transavia.com subsidiary would operate a fleet of 186-seat Boeing 737-800s from Paris Orly south terminal. Flights would be sold both to package tour operators and to individual passengers via the internet and call centres.

It would be launched next spring with a network of scheduled leisure routes from Paris to Spain, Morocco and Tunisia as well as a Paris-based holiday charter business.

In the Netherlands Transavia.com has a fleet of 28 Boeing 737s, which is expanded in the summer months by chartering in more aircraft, while as part of the hybrid model the fleet is reduced in the winter season with aircraft chartered out partly to US carriers.

Load-Date: November 17, 2006

EasyJet shrugs off higher fuel costs

FT.com

14 November 2006 Tuesday 9:14:08 AM GMT

Length: 407 words

Byline: Kevin Done, Aerospace Correspondent

Body

EasyJet, the UK low-cost airline, on Tuesday reported a 56 per cent rise in full-year profits, shrugging off higher fuel costs, and announced an order for an additional 52 Airbus aircraft from Airbus.

The Airbus A319s will be delivered between 2008 and 2010 and will secure the group's position as one of the two leading low cost carriers in Europe, alongside Ireland's Ryanair.

EasyJet has also secured options on a further 75 aircraft. It now has 104 aircraft on firm order from Airbus, valued at more than $4bn at list prices before heavy discounts.

The order is a boost to Airbus, the embattled European aircraft maker, which has lagged far behind Boeing, its US rival, in winning new orders this year.

Andy Harrison, EasyJet chief executive, said the new aircraft order would underpin the group's "continuing rapid growth."

EasyJet has one of the youngest aircraft fleets among global airlines with an average aircraft age of 2.2 years a big factor in containing both fuel and maintenance costs.

The group said that it had achieved record earnings in the year to September, with pre-tax profits rising from GBP83m to GBP129m. Passenger numbers rose 11.5 per cent to 33m.

Mr Harrison said profits rise had come in spite of a big increase in fuel costs and had been driven by higher ancillary revenues per seat, significant improvements in passenger yields and a continuing reduction in non-fuel unit costs.

EasyJet shrugs off higher fuel costs

The airline had a strong summer season, helping full-year passenger revenues to rise by 5.9 per cent or GBP2.13 per seat.

Ancillary revenues, such as commission earnings on hotel, car rental and travel insurance bookings, jumped by 34 per cent or 86p per seat.

Unit costs, excluding fuel, fell by 1.5 per cent, while unit fuel costs increased by 33 per cent.

Passenger revenue per seat fell 1.5 per cent in the first half of the financial year the wiinter season but rose 11.2 per cent in the second half.

EasyJet expects to increase capacity in 2007 by 15 per cent following an increase of 12.1 per cent last year.

Current trading was "in line with our expectations," said Mr Harrison, and the group expected yields for the winter season to be "broadly in line with last year." More pressure was expected on yields next summer "due to continued aggressive competition."

EasyJet added 58 new routes and 11 new destinations in the last financial year, bringing its network to 262 routes. The fleet grew to 122 aircraft by the end of September.

Load-Date: November 14, 2006

Trainers set the pace for vintage season

FT.com

10 November 2006 Friday 7:52:03 PM GMT

FINANCIAL TIMES

Length: 558 words

Byline: Robin Oakley

Body

Jump racing in Britain is booming, with more trainers, more horses in training and significant investment in improved facilities. And on Saturday the winter sport comes into its own with Cheltenham's Open meeting, highlighted by the Paddy Power Gold Cup.

Some things change. Martin Pipe, 15 times the champion trainer, lost the title last year to Paul Nicholls and retired. But some things stay the same.

The ante-post gambling excitement in the Paddy Power, of whose 10 runnings Pipe won seven, is still a horse trained at his Nicolashayne yard in Somerset.

Only now the man in charge is his 33-year-old son David, who has demonstrated his ability to handle top horses by winning the Charlie Hall Chase with Our Vic. Vodka Bleu is his main hope for the Paddy Power but he also runs Tamarinbleu, and the sponsor will only give you 11/4 against a Pipe-trained winner.

Paul Nicholls trains the favourite Taranis and looks set for another rewarding season with chasers such as Kauto Star, Star de Mohaison and Denman, while Desert Quest, a winner at Ascot under a big weight, provides his first serious contender for the Champion Hurdle. His West Country rival, Philip Hobbs, has Detroit City, with whom he won the Cesarewitch on the Flat, and Noble Request as challengers.

The man who could give them both a run for the trainers' championship is Jonjo O'Neill. After two seasons blighted by a stable virus, he leads the table after the summer jumping phase with 66 winners.

Backed by owner and fearless punter J.P. McManus and with Tony McCoy as their contract rider, O'Neill could make a serious run at the championship this year with horses such as Black Jack Ketchum, the most impressive winner of all at Cheltenham's Festival meeting in March.

Some big prizes could go north to Nicky Richards, who trains the thrilling grey chaser Monet's Garden, and Howard Johnson, backed by millionaire Graham Wylie and with the exciting talent of Paddy Brennan as stable jockey.

The big question is whether the Irish will continue their domination. Last year they took a record 10 of 24 Cheltenham Festival contests. Gold Cup winner War of Attrition, owned by Ryanair chief Michael O'Leary, was followed home by two more Irish runners, and the Irish supplied the first four in the Champion Hurdle won by Brave Inca.

They had the first two as well in Numbersixvalverde's Grand National. Only the third place obtained by Clan Royal (owned by McManus, trained by O'Neill and ridden by McCoy but at least trained in Gloucestershire) denied an Irish 1-2-3.

So far this season though it is the Welsh factor that has been in evidence. Second in the trainers' table is Haverfordwest-based Peter Bowen with 45 winners and fourth with 40 is Evan Williams, who trains near Cardiff. Expect to hear a lot more of Williams, who has achieved first-class results with cheap cast-offs from better-known yards and who is now being sent better horses by owners such as Sir Robert Ogden. Another Welsh trainer doing well is Alison Thorpe.

Riding find of the season has been Tom O'Brien, who started last year as an amateur with Hobbs but who has ridden many of the Bowen horses. Only McCoy, who tops the table with 83 winners despite a six-week absence with a broken wrist and Richard Johnson, with 67, lead O'Brien's total of 59.

A vintage season beckons. May they all come back safely.

Load-Date: November 10, 2006

Strong earnings and takeover activity lift Europe

FT.com

10 November 2006 Friday 6:19:26 PM GMT

FINANCIAL TIMES

Length: 470 words

Byline: Neil Dennis and Stacy-Marie Ishmael

Body

A robust earnings season and intense merger and acquisition activity helped drive European shares higher.

The FTSE Eurofirst 300 index advanced just above one per cent over the week to 1464.19, a fresh 5 1/2-year high.

The French benchmark index, the CAC-40, rose 1.4 per cent to 5447.5 while Germany's Xetra Dax added 1.9 per cent to 6357.77.

Sacyr Vallehermoso belatedly emerged as the week's strongest performer. Its shares jumped 6 per cent on Friday to 46.80, an increase of 13.3 per cent on the week.

Investors expect strong third-quarter results on Monday from the Spanish construction group, which on Thursday was reported to have raised its stake in oil group Repsol to as much as 15.2 per cent.

Sacryr declined to confirm the move, which would make it Repsol's biggest shareholder. Sacyr said in October it wanted to buy up to 20 per cent of the company.

Repsol shares rose 4.3 per cent over the week to 27.80. JP Morgan raised its price target in the company to 23.50 from 21.50. The brokerage said Sacyr's move increased the risk of a takeover, and it reiterated its "underweight" rating on the shares.

Numico rose 9.4 per cent on the week to 38.96 after the Dutch food group posted a 25 per cent increase in third-quarter earnings before interest, tax and amortisation to 123m.

Sampo Bank, the third-largest bank in the Nordic region, rose strongly on news of an agreed takeover by Denmark's Danske Bank for DKr30.1bn ($5.2bn) in cash.

Sampo, the Finnish parent of Sampo Bank, gained almost 11 per cent over the week to 18.82. UBS raised its price target on the group to 19 from 17.5, but kept its "neutral" rating. Danske Bank rose 1.5 per cent to DKr252.

No-frills airline Ryanair gained 5.1 per cent over the week to 9.42, hitting a record high of 9.66 along the way, after the budget airline raised its full-year profit target.

A sweeping victory for the Democractic Party in the America's mid-term elections proved a bitter pill for the pharmaceuticals sector. Novartis fell 3.7 per cent to SFr73.75 while Fresenius, the German dialysis group, lost 3 per cent to 73.75

Investors fear the Democrats would increase regulation in the sector and advocate lower-priced or generic drugs

German sportswear maker Adidas shed 7 per cent during the week to 36.84 after it issued a profit warning on Thursday, prompting a wave of broker downgrades.

Adidas said net income growth would approach 15 per cent for the year, against the 20 per cent previously forecast. It also said its recently acquired Reebok brand would post a full-year loss.

Natexis Banques Populaire fell 6.1 per cent on the week to 209 ahead of an upcoming secondary share offering.

Michael Schenk, an analyst at UBS Investment Research, said: "We're not surprised Natexis is coming down, since it has been quite expensive. Our target price is 205."

Load-Date: November 10, 2006

Green campaigner picks wrong targets

FT.com

7 November 2006 Tuesday 6:22:39 PM GMT

FINANCIAL TIMES

Length: 777 words

Byline: Fiona Harvey,

Body

Sir Terry Leahy rarely appears in advertisements, so when posters bearing the likeness of the Tesco chief executive recently appeared in the UK, passers-by might have supposed they had something to do with the supermarket's record-breaking financial performance. On closer examination, though, it was clear they were giving Sir Terry a warning. "George is watching you," read the menacing strapline.

The George in question is George Monbiot, a veteran environmental campaigner and author of several books. His book presents a powerful case for climate catastrophe.

Climate change has risen to the top of the UK political agenda in the past week following the publication of the Stern review of the economics of climate change, which suggested that we have a choice between paying a relatively small amount now for the safety of the planet or a very large amount later.

Sir Nicholas Stern recommended urgent action to reduce emissions to avoid running the world into economic as well as climatic meltdown. Monbiot goes much further, arguing that we should cut carbon emissions by 90 per cent by 2030. What's more, however, he shows that such cuts are feasible without massively reducing our quality of life.

As the advertising campaign indicated, in large part this book is a broadside aimed at the business community, who are roundly criticised for failing to take action on climate change.

But rather than focus on the likes of Exxon or Ryanair, whose utterances have been dismissive of environmentalists, or companies that have kept quiet on the issue, Monbiot has selected companies and business figures who have been vocal in support of action on climate change. Sir Terry Leahy cast himself as a green champion earlier this year by declaring Tesco would cut emissions and set up a fund devoted to low-carbon technology. Sir Richard Branson, who promised to invest the profits of his airlines in low-carbon technology, also figures. Even the saintly Chris Martin, frontman of the band Coldplay, who has campaigned on anti-poverty and environmental issues, comes in for a roasting.

For Monbiot, the statements of these figures belie the truth that they are bent on destroying the planet. As he says on his website, turnuptheheat.org: "Few corporations or public figures are now stupid enough to deny that climate change is happening, or that we need to reduce our emissions of greenhouse gases. Instead, most of them now claim to be on the side of the angels. They make public statements or publish reports designed to persuade us that they are 'working towards sustainability'."

These people, says Monbiot, are the ones we should be looking out for: "The people who will destroy the ecosystem are not only sneering industrialists in pinstriped suits, but nice-looking people in open-necked shirts."

So Sir Richard gets it in the neck for running an airline, and Sir Terry because he still sells inefficient lightbulbs. Mr Martin has foolishly admitted that he flies by private jet whenever possible, prizing the privacy this gives him.

Clearly, Monbiot is right to expose hypocrisy and the wide disparity between what people profess and their actions.

But it is difficult to see how any business that attempted to improve its environmental performance without immediately plunging into losses would win praise from Monbiot.

If Monbiot's intention is to change the minds or behaviour of the business community, this book will not achieve it. Anyone in business who does not think climate change is happening or that British businesses should bear any responsibility for reducing the world's emissions is unlikely to be persuaded by what they read here. Those most likely to read it are already engaged in combating climate change or wish to become so.

Thanks to Monbiot's thorough disapproval of any company foolish enough to express green intentions, the message businesspeople will take away is that you are damned if you don't try to take a stand on the environment and damned if you do.

For all this, the book is well-researched and worth reading for the detailed technical analysis showing just how Britain could cut its greenhouse gas output and still enjoy the comforts of modern life. We have grown so profligate in our use of energy, he points out, that we do not even notice our waste. Supermarket chillers, for instance, compete with heated aisles, resulting in enormous wasted energy.

Monbiot has done a good job on the arguments but does not seem the man to persuade businesspeople on the environment. Is there anyone who could?

Well, Tony Blair is going to have some free time soon.

Heat

How to stop the planet burningBy George MonbiotPenguin Books, GBP17.99

Load-Date: November 7, 2006

Ryanair lifts outlook as profits jump

FT.com

6 November 2006 Monday 9:35:29 AM GMT

FINANCIAL TIMES

Length: 419 words

Byline: Mark Odell

Body

Ryanair delivered a sharp rise in second-quarter results and upgraded its outlook for the full year on Monday, as it said it would leave Aer Lingus' long-haul model untouched if its 1.48bn (GBP990m, $1.9bn) hostile bid for its Irish rival succeeded.

Europe's largest low-cost carrier reported a 26 per cent jump in pre-tax profits for the second quarter, to the end of September to 243.6m, up from 192.6m last time.

Yields, or average revenue per seat, rose 9 per cent, despite seat capacity increasing by more than a fifth, boosting revenues by 27 per cent to 689.8m as net profits rose 24 per cent to 213m.

For the half-year, Ryanair's revenues rose 33 per cent to 1.26bn as pre-tax profits increased 38 per cent to 372.2m. Net profits rose 39 per cent to 329m.

Passenger numbers rose by 23 per cent to 22.1m in the six months to the end of September as the airline continued its ambitious growth plan with the aim of carrying 80m passengers by 2012.

The strong performance came despite a continued rise in the price of fuel, the airline's biggest cost item, which rose 34 per cent in the second quarter and 42 per cent in the half-year.

Michael O'Leary, chief executive, also upgraded full-year forecasts. He said continued fuel surcharges levied by competitors were helping to support yields at Ryanair.

In August, the Dublin-based no-frills carrier warned that the combination of high fuel prices and a large increase in capacity could dent yields by 5 per cent but on Monday it said it now expected revenues per seat to remain flat.

Mr O'Leary said he now expected full-year net profits to rise 16 per cent to 350m, instead of the previous expectation of an 11 per cent rise.

He also sought to placate the Irish government and Aer Lingus' unions as Ryanair continues to seek support for its controversial hostile bid for the Irish flag carrier.

Mr O'Leary said he planned to retain the Aer Lingus brand and would upgrade the carrier's "dated" long-haul product as well as retaining its highly valuable slots at London Heathrow.

The bid for Aer Lingus has surprised many in the industry because it is such a radical departure from the low-cost, low-fare discipline that has seen Mr O'Leary transform Ryanair into one of the world's most profitable carriers.

Ryanair also plans a two-for-one stock split, to be put to shareholders at an extraordinary meeting in December, which it said was aimed at improving the marketabilty and liquidity of its shares.

The shares rose 24 cents to 9.20 in early Dublin trading.

Load-Date: November 6, 2006

LexisNexis

European stocks rise as earnings impress

FT.com

6 November 2006 Monday 10:31:02 AM GMT

FT FINANCIAL TIMES

Length: 285 words

Byline: Neil Dennis

Body

European equities markets were lifted on Monday as investors welcomed upbeat earnings news and a further session of oil prices remaining below $60 a barrel.

By mid morning, the FTSE Eurofirst 300 was up 0.5 per cent to 1,456.17, while Frankfurt's Xetra Dax gained 0.7 per cent to 6,286.26, the CAC 40 in Paris added 0.4 per cent to 5,358.82 and London's FTSE 100 climbed 0.6 per cent to 6,187.3.

Among the stocks cheered by the recent retreat of oil prices from the record highs of the summer was Ryanair, the Irish "no-frills" airline, which said it had used recent weakness in oil futures to extend its fuel cost hedging.

The shares gained 3.8 per cent to 9.30 after the group announced a forecast-beating 23.7 per cent rise in its second-quarter net profit and raised its outlook for the full year.

Brokers were busy after some strong results in recent sessions. Merrill Lynch upgraded Anglo-Dutch consumer goods group Unilever from "sell" to "neutral" following its better-than-expected third-quarter results last week.

The broker said the numbers represented the "first signs of recovery", as it also raised its 2007-08 earnings per share forecast by 5 per cent. Unilever's Amsterdam-listed shares rose 2.4 per cent to 20.19.

Meanwhile, German sportswear maker Adidas gained 2.5 per cent to 40.13 after Barrons, the weekly investment newspaper, said it expected the shares to rise to around 50 a share next year if the company can achieve cost savings following its Reebok purchase and increase its US market share.

Ferrovial, the Spanish construction group, said it was looking at offers for its property division, even though the unit was not officially for sale. Ferrovial shares added 2.7 per cent to 76.05.

Load-Date: November 6, 2006

European stocks rise earnings impress

FT.com

6 November 2006 Monday 9:15:41 AM GMT

FINANCIAL TIMES

Length: 308 words

Byline: Neil Dennis

Body

European equities markets were lifted on Monday as investors welcomed upbeat earnings news and a further session of oil prices remaining below $60 a barrel.

In early trade the FTSE Eurofirst 300 was up 0.4 per cent to 1,453.65, while Frankfurt's Xetra Dax gained 0.4 per cent to 6,268.27, the CAC 40 in Paris added 0.3 per cent to 5,352.36 and London's FTSE 100 climbed 0.3 per cent to 6,167.89.

Among the stocks cheered by the recent retreat of oil prices from the record highs of the summer was Ryanair, the Irish "no-frills" airline, which said it had used recent weakness in oil futures to extend its fuel cost hedging.

The company gained 2.1 per cent to 9.15 after it announced a forecast-beating 23.7 per cent rise in its second-quarter net profit. It also raised its outlook for the full year, as it now expected average fares to rise 2 to 3 per cent in the third-quarter, against earlier forecasts of a 5 per cent decline.

Brokers were busy after some strong results of recent sessions. Merrill Lynch upgraded Anglo-Dutch consumer goods group Unilever from "sell" to "neutral" following its better-than-expected third-quarter results reported last week.

The broker said the numbers represented the "first signs of recovery", as it also raised its 2007-08 earnings per share forecast by 5 per cent. Unilever's Amsterdam-listed shares rose 2.3 per cent to 20.18.

Meanwhile, German sportswear maker Adidas gained 2.3 per cent to 40.04 after Barrons, the weekly investment newspaper, said it expected the shares to rise to around 50 a share next year if the company can achieve cost savings following its Reebok purchase and increase its US market share.

Ferrovial, the Spanish construction group, said it was looking at offers for its property division, even though the unit was not officially for sale. Ferrovial shares added 2.7 per cent to 76.10.

Load-Date: November 6, 2006

Aer Lingus/Ryanair

FT.com

3 November 2006 Friday 10:50:26 PM GMT

FT FINANCIAL TIMES

Length: 297 words

Body

Everything has its price. But not, perhaps, Aer Lingus, which published its defence against a bid by rival Ryanair on Friday.

Ryanair's bid of 2.80 a share has always looked mean. Setting aside the debate over whether Aer Lingus's IPO price of 2.20 was too low, the offer price values Aer Lingus towards the low end of the European airlines sector, based on enterprise value to next year's estimated earnings before interest, tax, depreciation, amortisation and rentals. Yet its 21 per cent operating margin (ebitdar as a proportion of revenues) makes its Europe's second most profitable airline, after Ryanair. Estimates of the Irish carrier's break-up value perhaps a better gauge given the uncertainties of its business plan also suggest a higher valuation would be justified. Its fleet could be sold; some, at least, of its valuable Heathrow slots could be sold or leased; and it has net cash of 470m. On the most conservative assumptions, Aer Lingus's shareholders should not accept less than 3 a share.

Nearly half of Aer Lingus's investors, though, seem unlikely to accept even a significantly higher offer. Employees or their representatives hold 19 per cent of the shares. Many are unenthusiastic about the prospect of working for Ryanair rather than the highly unionised Aer Lingus. Even the prospect of receiving, on average, 39,000 (pre-tax) from the sale of their stake does not, surprisingly, seem to be acting as an incentive. The government, which owns 25 per cent, does not want a merged Ryanair/Aer Lingus for a potent mixture of political, social and economic reasons.

The 46.5 per cent held by pro-management investors is not quite enough to block Ryanair's ambitions. But it is certainly enough so that price is not necessarily what will determine the outcome.

Load-Date: November 3, 2006

Ryanair asks EU to review Aer Lingus deal

FT.com

31 October 2006 Tuesday 8:55:43 PM GMT

Length: 492 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair has notified the European competition authorities of its proposed takeover of Aer Lingus, its smaller Irish rival, but there were growing doubts on Tuesday night about whether the size of the deal is big enough to place it within Brussels' jurisdiction.

It will be a significant setback for Ryanair, Europe's largest low cost carrier, if it fails to have the deal scrutinised by Brussels, and instead has to face an examination by the Irish Competition Authority and possibly too by the UK Office of Fair Trading and competition authorities in some other European member states.

The Irish government, which still owns a stake of 25.35 per cent in Aer Lingus, has already expressed fierce opposition to Ryanair's 1.48bn bid for the former state-owned carrier.

Martin Cullen, Irish transport minister, has claimed that Ryanair is trying to "recreate a monopoly in the aviation sector in this country. A monopoly is bad for business, bad for this country, bad for the customer, bad for the travelling public and it's bad for tourism interests in this country."

To come under the jurisdiction of Brussels the deal has to satisfy a series of key conditions, namely that:

the combined worldwide turnover of the two groups exceeds 2.5bn,

the combined turnover exceeds 100m in at least three European Union member states, and that

each company has a turnover of more than 25m in those three member states.

It is understood that the deal meets the first two conditions but possibly fails narrowly on the third, depending on how the precise rules on the origination of traffic at either end of routes is interpreted.

It is believed that figures provided by Aer Lingus to Brussels suggest that it has turnover of more than 25m in only two member states, Ireland and the UK.

In public Ryanair has expressed confidence that it will be able to overcome any competition objections.

Brussels has shown itself to be broadly favourable to consolidation in the European airline industry in the belief that the sector is far too fragmented. With an era of global airline liberalisation somewhere over the horizon, it believes there should be strong European players able to compete on the world stage.

The Ryanair/Aer Lingus deal could face signficant obstacles depending on the approach the authorities take in defining what are the appropriate markets. Together the two carriers would have a very large share of Dublin airport traffic.

Ryanair has claimed that there are overlaps on only 17 of the 500 routes operated by the two airlines.

Rival carriers have pointed out, however, that Ryanair actually overlaps on 62 per cent of Aer Lingus's European capacity on a basis of city-pair routes rather than airport to airport routes.

Based on figures for July Ryanair had 54.2 per cent of the capacity in the Ireland/UK market and Aer Lingus had 23.8 per cent. In the Ireland/continental Europe market Aer Lingus had 43.2 per cent of the capacity and Ryanair 32.1 per cent.

Load-Date: October 31, 2006

Airlines: Gimmicks and innovation mark budget carriers' battle for skies

FT.com

24 October 2006 Tuesday 7:24:56 PM GMT

Length: 1042 words

Byline: Victoria Burnett

Body

With its undulating roof and luminous halls, Terminal 4 at Barajas airport heralded a new age of airport design when it opened in February. The vast Madrid airport terminal, with 67 stands, also ushered in an era of intense competition for the Spanish skies.

Low-cost carriers swooped on the extra capacity and now they are drawing up the battle lines in Spain, which is on track to receive 58m foreign visitors this year.

"With Terminal 4, the government made a crucial bet that Madrid would become the hub of European air traffic," says Antonio Lopez de Avila, tourism specialist at Instituto de Empresa business school inMadrid. "There is significant room for growth in the Spanish low-cost market."

Spain is already the second biggest destination for low-cost flights originating in Europe, after the UK, according to the Institute of Tourism Studies. More than 15m people flew to Spain last year on low-cost airlines, 30 per cent more than in 2004.

The additional capacity at Barajas means that airlines can turn around their planes faster and increase utilisation of their fleet.

Ryanair is to open its second base in Spain, at Barajas airport, in November, with an investment of $210m. It aims to add 1m passengers per year with three new aircraft on 14 new routes. The airline also plans to add 17 routes to its operations in Girona airport, near Barcelona, in March.

EasyJet plans to open its first Spanish operating base at Barajas in February and begin flying Spanish domestic routes.

Airlines: Gimmicks and innovation mark budget carriers' battle for skies

Vueling, a Spanish low-cost operator launched two years ago, will increase its daily flights between Madrid and Barcelona to five from two this month and open three new routes. Vueling is 40 per cent owned by private equity group Apax Partners, 30 per cent by Inversiones Hemisferio, a subsidiary of Spanish media group Grupo Planeta, and 23 per cent by the management. Dave Barger, JetBlue president, leads a group of investors with a 7 per cent stake.

In the face of rising low-cost competition and the threat of a growing high-speed rail network, Iberia, the national flag-carrier, has begun retreating from domestic routes and spawned a low-cost line, Clickair, which began flying in October.

Iberia has a 20 per cent stake in Clickair and the option to raise that to 80 per cent after three years.

"The Clickair strategy is purely defensive. It arose out of Iberia's total failure [to compete with low-cost airlines]," says Josep Fransesc Valls, professor of marketing at the Esade business school in Barcelona.

Barcelona-based Clickair, established with 120m in startup capital, began flying seven routes with three Airbus A320 aircraft on October 1. It hopes to increase its fleet to 30 aircraft and fly 70 routes by the end of 2008. It has as shareholders each with20 per cent Nefinsa, owner of Air Nostrum, a franchise of Iberia; Iberostar, a tourism group; Cobra, an affiliate of Spanish building company ACS; and Quercus Equity, a Spanish venture capital fund. From their spare offices in the same building in the Mas Blau industrial park outside Barcelona, Vueling and Clickair have set their sights on the same segment of the market: business travellers from small and medium-sized companies prepared to pay a little extra for greater convenience.

Vueling, which passed the 5m-customers mark this month, gets about 25-40 per cent of passengers from this segment and wants to build on this. Carlos Munoz, chief executive, says the key to this market is competitive service. Vueling flies its lemon-and-grey aircraft only to primary airports, guarantees no overbooking, assigns seats and says it beats industry averages for lost luggage and delays.

To this it adds cute gimmicks, such as an onboard string quartet on occasional flights and naming aircraft after passengers.

Vueling plans an aggressive targeting of the Barcelona-Madrid route, currently dominated by Iberia's shuttle service, which flies every 15 minutes between the cities. It aims to fly 400,000 passengers between the cities next year, against 130,000 this year. Iberia flew 2.7m passengers between the cities last year and Spanair, a subsidiary of SAS Scandinavian Airlines, more than 1m.

"We're strong now in Barcelona and Madrid and we're going to increase our frequencies. That's what our customers want," says Mr Munoz.

Clickair, a self-styled "third-generation" low-cost airline, offers passengers a basic ticket with the option of adding services for a fee. Customers can pay extra to buy tickets through a travel agent, rather than online, and change travel dates. "The big theme on third generation is build your own," said Alex Cruz, the airline's director-general and former European director of commercial aviation at Accenture. "I would gladly pay five quid [extra] to board among the first 10-15 people."

Mr Cruz says he is trying to reverse the relationship between the airline and its suppliers, negotiating with caterers to pay Clickair a commission for onboard sales. He declined to offer details of such deals.

Clickair and Iberia are at pains to stress their mutual independence, despite Clickair operating some Iberia routes, and the airline also having maintenance and baggage handling deals with Iberia and an agreement to sell Iberia frequent flyer miles to Clickair passengers.

But the close relationship has raised eyebrows in the industry and some analysts and competitors question the prospects of a low cost linked to an incumbent a model that has failed elsewhere.

"People say: If it looks like Iberia, if it smells like Iberia, if it tastes like Iberia, it must be Iberia," Mr Cruz says. "Give me a few weeks operating and then come taste me."

Meanwhile, Iberia is focusing on Madrid's growing role as a European hub and its ability to connect its long-haul customers to domestic routes and, eventually, the high-speed train network. Traffic on its domestic flights fell 5 per cent in the first nine months of the year, while traffic on medium and long-haul flights grew 6 per cent and 9 per cent respectively. Overall traffic rose 0.2 per cent.

"We have a long-haul market niche that we dominate: Europe to Latin America. Madrid has many advantages [that will ensure] it remains the gateway to Latin America," says Enrique Depuy, Iberia's director of finance.

Load-Date: October 24, 2006

Neuf Cegetel IPO

FT.com

23 October 2006 Monday 1:35:07 AM GMT

FINANCIAL TIMES

Length: 308 words

Body

The one puzzle about Neuf Cegetel's initial public offering is why it is happening at all. There is already a potential buyer for the French telecoms business namely, SFR, which is among its main competitors and happens to be a dominant shareholder too.

SFR's potential interest in one day taking over Neuf is part of the attraction for institutional investors. After all, investors recently saw Aer Lingus become the subject of a takeover bid from rival airline Ryanair just days after its float in early October.

But this is a risky basis on which to buy into Neuf's float. It is odd that SFR has not sewn up a deal to buy Neuf before the IPO gathered momentum even if the float is being used as a lever to force SFR into making an offer. In 2005, Liberty Global snapped up Cablecom just a day after the Swiss cable group set the price range for a proposed float.

Investors should ask instead whether SFR may be content to squat on the register of its rival for a while yet. And viewed on a standalone basis, Neuf does not look like a must-have. For all its broadband potential, it is still exposed to the challenging French fixed-line telephony market, and its earnings before interest, tax, depreciation and amortisation are forecast to grow at mid single-digit rates from 2007.

Neuf probably merits a valuation closer to France Telecom than to the already expensive, fast-growing broadband star Iliad. On this basis, a sensible IPO valuation would be 6.2 times 2007 forecast ebitda, giving an enterprise value of about 4.2bn, and an equity value adjusting for debt, deferred tax credits, float proceeds and the cost of acquiring AOL France of 3.9bn. This is at the lower end of the stated range.

SFR may yet acquire Neuf before it floats. If not, investors should not buy the shares in the hope that they will command a lasting bid premium.

Load-Date: October 23, 2006

Ryanair/Aer Lingus

FT.com

20 October 2006 Friday 7:47:40 PM GMT

FINANCIAL TIMES

Length: 239 words

Body

In a typically contrary move, Michael O'Leary, Ryanair's chief executive, on Friday announced the details of his 2.80-a-share bid for Aer Lingus without publishing the offer document itself.

These details, though interesting, do not provide a convincing argument for a tie-up. Getting it past competition authorities will be the first challenge. Ryanair and Aer Lingus argue about whether a merger would create a monopoly, but neither knows what demands Brussels might impose. The deal's rationale is also confusing. Mr O'Leary proposes running the airlines as separate entities a distinction that, frankly, seems specious.

Nevertheless, the outrage with which the Irish government and Aer Lingus have met Ryanair's approach is even less convincing. Aer Lingus, now it is (finally) public, must be open to offers. So far, it has failed to make the case that any buyer should pay significantly more than the 27 per cent premium Ryanair is offering to Aer Lingus's 2.20 flotation price. Aer Lingus has done a great job redefining itself as a low-cost airline with extra service frills. But the value that should be placed on its business plan predicated on turning Dublin into an international hub is dubious.

The government clearly feels betrayed by Ryanair, whose development it has generously supported. Mr O'Leary, of course, is not beyond a bit of emoting himself. Now he must decide whether to put more money where his mouth is.

Load-Date: October 20, 2006

Pilots' stake could thwart Ryanair bid

FT.com

11 October 2006 Wednesday 9:21:32 AM GMT

FINANCIAL TIMES

Length: 383 words

Byline: John Murray Brown in Dublin

Body

Ryanair's bid for Aer Lingus, its rival Irish airline, hit further resistance on Tuesday when pilots in the former state-owned carrier bought a 2 per cent stake that could help to block the 1.5bn (GBP1bn, $1.9bn) takeover offer.

A pension fund connected with the Aer Lingus pilots acquired a block of 8.5m shares at a 3.05.

The shares closed on Tuesday at 2.87 compared with the Ryanair offer price of 2.80.

Ryanair owns about 20 per cent of Aer Lingus, the bulk of which was acquired before official trading started following the initial public offering two weeks ago when the Irish government reduced its 85 per cent stake.

Ryanair is restricted from buying more shares as the price is now above its offer price.

Brokers said that, if the share price remained at the higher levels, Ryanair would have to raise its price to have any chance of persuading shareholders to accept its offer.

The government now holds a 28 per cent stake in Aer Lingus and an employee shares ownership trust owns 9.6 per cent.

Separately, two approved employee profit-sharing schemes own just under 2 per cent. Together with the pilots' stake this adds up to a potential blocking stake of more than 40 per cent.

There was no evidence these parties would act in unison "but you can be certain they won't be talking to the big bad wolf, Ryanair", said one broker.

The government is preparing to argue that the deal is bad for competition and the consumer.

Pilots' stake could thwart Ryanair bid

Aer Lingus has enlisted Mario Monti and Karel van Miert, two former European Union competition commissioners, said to be "actively involved" making the case on Aer Lingus's behalf in Brussels.

Both are consultants to Goldman Sachs, advisers to Aer Lingus.

Meanwhile, Ryanair dismissed as a distraction a move by Impact, the union representing pilots and cabin crew, to lodge a pay claim with the labour relations commission on behalf of pilots at Ryanair, a non- unionised workforce.

Impact argued that, if Ryanair was to take over Aer Lingus, the pilots should have the same pay and conditions.

Impact put their proposal to Ryanair a month ago and it was rejected.

Ryanair said: "This is the first of many feeble attempts by Impact to distract from Ryanair's generous offer for Aer Lingus, which, if it proceeds, will lead to lower costs and lower fares for Aer Lingus customers."

Load-Date: October 11, 2006

Stake-building

FT.com

11 October 2006 Wednesday 11:04:38 PM GMT

FINANCIAL TIMES

Length: 293 words

Body

Stake-building is fast becoming a routine tactic in takeovers. Osprey, an international consortium, on Monday raised its holding in AWG to 22 per cent despite having won a recommendation for its bid for the UK water utility days before. Ryanair last week bought 16 per cent of Aer Lingus before mounting a bid. Earlier this year, BNP Paribas secured 48 per cent of Banca Nazionale del Lavoro before launching an offer.

The tactic comes into its own in contested cash offers. Its popularity partly stems from the proliferation of cash bidders, fuelled by cheap debt, chasing a smaller number of targets. In the UK, the removal of caps on the amount of a company's stock that can be bought in a single day may also be a factor.

But stake-building has also become easier, thanks to the shortening time horizons of investors. Many institutions sell out when a company comes into play. Fickle hedge funds take their place. This revolution in bid dynamics is unlikely to be undone even when deal activity tails off.

The concern is that stake-building deters rival bidders. Selling shareholders may deprive more patient investors of a higher offer in an auction. For example, a private equity consortium was prepared to pay more for BAA than Ferrovial, which saw off its rival by buying 14 per cent of the target in the market.

Such worries are understandable but should not be overdone. There is a principle that shareholders have the right to take cash up front from a bidder, rather than wait months for a deal to close. And mere talk of a counterbid prompted Osprey to raise its AWG bid even though it was already stake-building.

The real lesson is that now that stake-building has become easier, companies will have to fight even harder to retain their independence.

Load-Date: October 11, 2006

Ryanair launches base in Madrid

FT.com

10 October 2006 Tuesday 9:35:01 PM GMT

FINANCIAL TIMES

Length: 528 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, the Irish low cost airline, on Tuesday intensified the already fierce battle that is being waged in the Spanish aviation market by announcing the launch of an operating base in Madrid.

Spain has become the main focus for the expansion of the low cost carriers in Europe after the UK and Germany, and the move by Ryanair into Madrid comes only weeks after EasyJet, its UK rival, announced its own plans for a Madrid base.

Ryanair announced an initial network of 14 routes to and from Madrid, including Dublin, Paris-Beauvais, Brussels-Charleroi, Gothenburg, Marseille and Eindhoven as well as Nottingham East Midlands and Bournemouth in the UK. Initially at least it is avoiding head-to-head competition with EasyJet.

It said it would base three aircraft in the Spanish capital, which will become its 18th base in Europe. It planned to carry 1m passengers a year on the Madrid routes which would begin operations in late November.

The airlines are expanding in Madrid to take advantage of the big increase of capacity at Madrid's Barajas airport, which has doubled the number of runways from two to four and has opened a new fourth terminal.

EasyJet, which will already operate 9 routes to and from Madrid by the end of this month, will base its first three aircraft in the city from February next year, when it will add six more routes including two domestic services to La Coru~~na~~ and Oviedo and will add frequencies on some existing routes.

EasyJet said that it was increasing its capacity to and from Madrid, its 17th European base, by 140 per cent and expected to reach 2m passengers a year by the end of 2007. Overall it forecast a rise in its Spanish traffic from 7.5m last year to 10m.

Ryanair launches base in Madrid

The launch of a base in Madrid will open a second front for Ryanair, which is already expanding fast from its first Spanish base at Barcelona-Gerona.

Two weeks ago it said that it was doubling the number of aircraft based in Gerona from four to eight in March next year and would add 17 more routes taking the network to 40 destinations. Passenger numbers to and from Gerona were forecast to rise to 4m a year with its total Spanish network rising to 9m passengers a year including the new Madrid base.

The opening of Madrid bases by Ryanair and EasyJet in Madrid poses tough competition for Iberia, the Spanish flag carrier, which is already facing heavy pressure from other low cost carriers across Spain.

Vueling, the Spanish low cost start-up which began flying in July 2004, is developing bases in both Madrid and Barcelona. It hopes to have a fleet of 16 180-seat Airbus A320s by the end of 2006, rising to 25 in 2007.

Iberia has itself been cutting loss-making short-haul routes, but has responded to the competitive threat by leading the start-up of another low cost carrier, Clickair, from a base in Barcelona. It started flying two weeks ago with three aircraft and plans to operate a fleet of 30 A320s by the end of 2008.

The battle for the Spanish market has also been joined by Spanair, a subsidiary of SAS Scandinavian Airlines, which is aiming to increase its passenger volumes by 50 per cent by 2010 to 15m with the focus of expansion on creating a Barcelona hub.

Load-Date: October 10, 2006

Power to the passengers

FT.com

9 October 2006 Monday 3:10:17 PM GMT

Length: 884 words

Byline: Roger Blitz

Body

Airlines may have lost the battle over the implementation of European laws requiring them to compensate passengers for cancellation, long delays and being denied boarding.

But the experience of the laws makes them not just irritated but confident that logic will prevail and the European Commission will ease back on what they believe are unnecessary and unfair rules.

Certainly, irritation among airlines has not abated since challenges by the International Air Transport Association and the European Low Fares Airline Association (ELFAA) against the regulations were rejected by the European Court of Justice in January.

According to John Hanlon, secretary-general of ELFAA, the regulations have taken air travel back to a time when the experience of aviation was very different. "When you took an international air journey, you were expected to be watered and fed from the start of your journey to the end. Then, market liberalisation provided growth in the low-cost sector, which enabled as many people to travel as possible by removing extra costs like catering," Mr Hanlon says.

"People are not promised catering and they understand that. But now if you are delayed, you are guaranteed to be fed and accommodated under these regulations."

Levels of compensation are dependent on length of delays and the time elapsed before alternative arrangements are found. Regulations require airlines to pay in all instances cancellation fees unless passengers have been given two weeks' notice.

Power to the passengers

Airlines complain that there is no comparable regulation constraining operators in other forms of travel, that costs are disproportionate to the type of carrier and length of journey, and are not necessarily beneficial to passengers.

Ryanair claims that the legislation is not just unnecessary but also contrary to international law, as the Montreal Convention already enables passengers to seek compensation in cases where an airline is at fault for a delay.

In reality, airlines are not experiencing a significant increase in costs. Nor do the regulations require a radically different level of customer care from the one that airlines already provide. Also, airlines are not predicting that the new rules will have any impact on airline punctuality.

On-time performance of scheduled airlines at leading UK airports is 74 per cent, with average delays of 14 minutes. For charter flights, it is 65 per cent, with average delays of 28 minutes. The change in these figures quarter by quarter is fractional.

Airlines have no interest in cancelling flights for frivolous reasons, Mr Hanlon adds. "Cancellation is resorted to in extremis. The average age of our fleets is very low."

What has changed is the burden of customers' claims. It has become greater. The regulations gave rise to what Mr Hanlon calls "fanciful claims" from passengers after publicity was given to the new laws.

Passengers are not necessarily the winners here, the airlines point out. Mandatory penalties are changing the way airlines think about their obligations and making them look at ways of minimising the risk of incurring any costs linked to the regulations at the expense of passengers. The effect of the regulation is to encourage more carriers not to "interline" with other carriers, that is, to provide connecting flights.

More carriers, says Mr Hanlon, are reviewing whether they wish to be involved in linking up itineraries with other carriers. "If you are coming from Shanghai via London and on to Belfast, and you are delayed on the last part of your journey, you have an entitlement against the London to Belfast operator if necessary to fly you back to Shanghai on the first available flight," says Mr Hanlon.

"In that instance it would be unwise for carriers to be exposed to that risk. The rules will make them want to operate on a point-to-point basis."

Delays are frequently out of the control of airlines. Italian air traffic control, for example, closed Rome air space for the day of the funeral of Pope John Paul II.

"Air traffic control does induce a lot of delay. It is more within the gift of the European Commission to reform [air traffic control] than individual airlines," says Mr Hanlon.

Like most other airlines, Easyjet has always been in favour of the principle of the aims of the regulations, but described it as a bad law that fails in its goal.

"Airlines should look after their customers there is a duty of care. However, airlines are being penalised for situations completely out of their control," Easyjet says.

Compensation penalities of 250 for flights that may cost GBP42 are disproportionate, Easyjet says. "We have to pick up hotel costs because air traffic control goes on strike for three days," says Easyjet. "Surely, that is what passenger travel insurance is there for."

The effect is that Easyjet has abandoned its four-hour delay policy by which money was paid back to the customer and the customer would then have the option of flying for nothing.

The European Commission is reviewing the regulations and has appointed consultants to talk to airlines about the impact of the legislation. "We are hoping to explain the difficulties. They have prepared an in-depth survey to establish what the thoughts of the people governed by them are," Mr Hanlon says.

Expect those replies to be lengthy and colourful.

Load-Date: October 9, 2006

Ryanair's Aer Lingus bid 'set for Brussels'

FT.com

6 October 2006 Friday 11:26:52 PM GMT

Length: 564 words

Byline: Kevin Done in London

Body

Both the European and the Irish competition authorities expect Ryanair's 1.48bn ($1.86bn) takeover bid for Aer Lingus, its local rival, to be referred initially to Brussels for scrutiny rather than to Dublin.

Competition lawyers said on Friday that the takeover as proposed by Ryanair on Thursday would meet the necessary criteria to come within the jurisdiction ofthe European competition authorities, namely that the combined worldwide turnover of the two groups exceeds 2.5bn, and that the combined turnover exceeds 100m in at least three European Union member states.

Officially, it is up to the bidder in the first instance to notify the relevant authorities at any stage before the deal is implemented.

A spokesman for the European competition directorate said on Friday that no such move had yet been made formally by Ryanair. He refused to comment on any informal sounding taken by the Irish carrier, which is Europe's leading low-cost airline. Brussels has shown itself to be broadly favourable to consolidation in the European airline industry in the belief that the sector is far too fragmented. With an era of global airline liberalisation somewhere over the horizon, it believes there should be strong European players able to compete on the world stage.

The Air France/KLM and Lufthansa/Swiss deals found little objection, and any problems could be solved by the remedy of giving up some airport slots to rivals to allow them on to sensitive routes. In practice, however, there could be signficant issues to overcome to gain competition approval for an Aer Lingus takeover and much will hinge on the approach the authorities take in defining the appropriate markets.

Ryanair said on Thursday that there were overlaps on only 17 of the 500 routes operated by the two airlines. Rival carriers were quick to point out, however, that Ryanair actually overlaps on 62 per cent of Aer Lingus's European capacity on a basis of city-pairs. While there are few direct overlaps on routes airport to airport, such as Dublin to London Stansted, where Aer Lingus is absent, or Dublin to Heathrow, where Ryanair is absent, both airlines operate in the same wider market of Dublin to London.

Based on figures for July, Ryanair had 54.2 per cent of the capacity in the Ireland/UK market and Aer Lingus had 23.8 per cent. In the Ireland/continental Europe market, Aer Lingus had 43.2 per cent of the capacity and Ryanair 32.1 per cent.

Under the European competition rules, even if Brussels has jurisdiction over the Ryanair/Aer Lingus case, it would be open to Dublinto ask for a role in the inquiry on the grounds of the deal's potential impact on one state, but such a referral would be entirely at the discretion of the Commission.

The clear rejection of the Ryanair bid by the Irish government, which still owns 28.3 per cent of the Aer Lingus equity, suggests that Dublin will seek such arole.

Martin Cullen, Irish transport minister, said on Thursday: "What Ryanair is now in effect trying to do is recreate a monopoly in the aviation sector in this country. A monopoly is bad for business, bad for this country, bad for the customer, bad for the travelling public and it's bad for tourism interests in this country."

He said the government had "fostered and encouraged competition, particularly in the aviation sector. We certainly do not want to see a new monopoly created in aviation."

Load-Date: October 6, 2006

EasyJet shrugs off terror scare

FT.com

6 October 2006 Friday 9:15:39 AM GMT

FINANCIAL TIMES

Length: 261 words

Byline: James Boxell

Body

EasyJet on Friday lifted its profit guidance for the year, after strong sales in September showed the UK low-cost carrier was suffering few after-effects from August's UK terror alerts.

The budget airline said it expected pre-tax profit for the year to September 30 to be slightly ahead of previous estimates, which had forecast growth of 40-50 per cent to between GBP115m and GBP124m, up from GBP82.6m last year.

The strength of the budget aviation sector was underlined on Thursday when Ryanair, EasyJet's biggest European competitor, launched an audacious 1.5bn takeover offer for Aer Lingus, only days after the Irish national carrier was successfully floated in Dublin and London.

If successful, a Ryanair deal would be the first takeover of a legacy network carrier by one of the new breed of low-cost airlines.

EasyJet said passenger numbers in September were 11.5 per cent higher than last year, with revenues per seat growing by 7.8 per cent.

The shares, which have gained 65 per cent in the past year, rose another 6p to 504p in early London trade.

Some analysts had worried that the low-cost airline business model would suffer because of the stringent security measures introduced in the wake of the August terror alerts. Baggage restrictions have been relaxed slightly but intensive checks of passengers remain in place.

EasyJet shrugs off terror scare

The security turmoil at UK airports cost EasyJet about GBP4m and forced it to cancel 469 flights over five days. The main problems were caused at the London airports, where EasyJet has its three biggest bases at Gatwick, Luton and Stansted.

Load-Date: October 6, 2006

European stocks inch higher on M&A talk

FT.com

6 October 2006 Friday 12:38:33 PM GMT

FINANCIAL TIMES

Length: 536 words

Byline: Neil Dennis

Body

European equities inched cautiously higher on Friday as bid talk lifted the banking sector and airlines got a boost after Ryanair made a surprise offer for newly-listed Aer Lingus.

By midday, the FTSE Eurofirst 300 was up fractionally to 1,410.50, Frankfurt's Xetra Dax was 0.1 per cent higher at 6,079.89, the CAC 40 in Paris was 0.1 per cent lower at 5,280.12 and London's FTSE 100 was flat at 6,002.8.

A nervy session in the US ended with the Dow Jones Industrial Average extending its record by 0.1 per cent to 11,866.69. The Nasdaq Composite ended up 0.6 per cent to 2,306.34.

Investors were awaiting with caution the latest monthly non-farm payrolls report for clues on the strength of the US labour market and the likely future direction of US interest rates.

Ryanair late on Thursday launched a surprise bid for Aer Lingus, the former flag carrying Irish airline which listed just four days ago, valuing the company at 1.48bn. The board of Aer Lingus rejected the 2.80-a-share offer saying it undervalued the company's long-term growth potential.

Investment bank strategists were unimpressed with the bid however. Citigroup said it saw minimal synergies, while competition authorities were likely to make it difficult for Ryanair. Andrew Light, analyst, added: "This presents considerable management distraction and labour issues. Cash returns to shareholders could now be in jeopardy unless Ryanair can sell its stake in Aer Lingus on for a profit."

Meanwhile, ABN Amro and HSBC both cut their recommendations on Ryanair. ABN from "buy" to "hold", and HSBC from "overweight" to "neutral".

Shares in Ryanair nevertheless, added 2.1 per cent to 8.85, while Aer Lingus gained 1.4 per cent to 2.94.

European banks enjoyed another session of M&A rumour-driven gains as Spain's Banesto jumped 4.7 per cent to 16.40 on talk of a bid from domestic rival Santander.

Santander, Spain's largest bank, already owns 88 per cent of Banesto, and the rumour centred on talk that it would buy the remaining shares at a premium 19 each. Santander shares gained 1.4 per cent to 12.87.

BBVA, the Spanish bank which was linked earlier in the week to potential bid moves by Citigroup, initially rose more than 3 per cent after rumours that Santander was also interested. The rumours were later quashed as Santander said it had no interest in BBVA, whose shares stood at 19.13 by midday, up just 0.2 per cent. Banco Popular Espanol added 1.9 per cent to 13.17.

Mobile and fixed-line telecom stocks were struggling after Deutsche Bank made downgrades in each sector. Telecom Italia fell 1 per cent to 2.25 after it was cut from "buy" to "hold" and had its target price lowered from 2.50 to 2.40.

Meanwhile, Vodafone, the UK mobile operator, fell 0.6 per cent to 125p after Deutsche lowered its rating from "buy" to "hold" and its target price from 130p to 125p.

Signs that all is not well at French aerospace group EADS continued to emerge as Rolls Royce, supplier of engines for the ill-fated Airbus A380, said it had suspended work on the project for 12 months.

Although Rolls said the suspension would not affect its financial guidance for the year, the shares fell 1.1 per cent to 457lp, while EADS slid 3.2 per cent to 20.37.

Load-Date: October 6, 2006

Ryanair in 1.48bn bid for Aer Lingus

FT.com

5 October 2006 Thursday 8:59:02 PM GMT

Length: 594 words

Byline: Kevin Done and Lina Saigol in London and John Murray-Brown in Dublin

Body

Ryanair on Thursday launched a 1.48bn takeover offer for Aer Lingus, only days after the Irish national carrier was successfully floated in Dublin and London, and by Thursday night the low-cost airline had captured a stake of 19.2 per cent.

If successful, the audacious attack by Europe's leading budget airline on its smaller local rival would transform the aviation map in Europe with the first takeover of a legacy network carrier by one of the new breed of low-cost airlines.

The bid whipped up a political storm in Ireland where the Irish government, which still has a 28 per cent stake in Aer Lingus and faces a general election early next year, rejected the Ryanair offer. The board of Aer Lingus unanimously rejected the bid.

However, Howard Millar, Ryanair deputy chief executive and chief financial officer, said the group would "be happy with 50.1 per cent".

Martin Cullen, Irish transport minister, said: "What Ryanair is now in effect trying to do is recreate a monopoly in the aviation sector in this country. A monopoly is bad for business, bad for this country, bad for the travelling public and it's bad for tourism interests in this country."

Aer Lingus has again become a potentially damaging political issue, just as the government believed it had resolved the uncertainty through last week's listing after years of efforts to privatise the carrier.

The bid also surprised rival airlines, as it breaks the mould of Ryanair's low-cost business model, which it has ruthlessly pursued for more than a decade to achieve the lowest costs and by far the highest profit margins of any airline in Europe.

Ryanair has made an all-cash offer of 2.80 a share, valuing Aer Lingus at 1.48bn, which it said represented a 27 per cent premium over the initial public offering price of 2.20 and 12 per cent over Aer Lingus's 2.51 closing price on Wednesday.

Aer Lingus, as a long-established network carrier, has short- and long-haul operations. Its shares closed on Thursday night 15.5 per cent higher at 2.90, while Ryanair closed 3 cents lower at 8.67.

John Sharman, Aer Lingus chairman, said, "This approach is unsolicited, wholly opportunistic and significantly undervalues the group's businesses and attractive long-term growth potential."

Michael O'Leary, Ryanair chief executive, said in a statement that the offer represented "a unique opportunity to form one strong airline group for Ireland and for European consumers."

In the face of the refusal by the Irish government to sell its stake and with the Aer Lingus employee share ownership plan holding about 10 per cent, Ryanair said the offer was conditional only on "obtaining at least a majority" of the shares.

If the bid were successful, both companies would continue to operate separately and compete on the routes on which they both operated only about 17 of about 500 routes. While there are few direct overlaps on routes airport to airport, both airlines operate in the same wider markets, such as Dublin to London.

Jack O'Connor, president of Siptu, Ireland's biggest trade union, which represents 1,800 Aer Lingus workers, said in a statement: "If they can pull it off, it will enable Ryanair to take out its principal competitor on their main routes, acquire the critically valuable Heathrow slots, consolidate market dominance and dictate whatever price they like to airports, with obvious long term adverse consequences for workers and the travelling public alike."

Morgan Stanley and Davy Corporate Finance are advising Ryanair. Goldman Sachs and Merrion Stockbrokers are advising Aer Lingus.

Load-Date: October 5, 2006

Tempestuous tycoon turns into a model of restraint

FT.com

5 October 2006 Thursday 8:28:56 PM GMT

Length: 531 words

Byline: John Murray Brown in Dublin

Body

It was not just his choice of phrase that was displaying an uncharacteristic level of restraint on Thursday.

Michael O'Leary's whole demeanour appeared to be more sober than usual, as his Ryanair group zoomed in out of the proverbial clear blue sky to announce an all cash 2.80-a-share takeover bid for Aer Lingus.

The jeans and check shirt had been discarded in favour of the well-cut dark suit, and black Gucci loafers. Apart from one reference to Jesus, the famous expletives were noticeably absent.

Of course, stock exchange rules restrict what he can say about a deal which values the national carrier at 1.48bn ($1.88bn).

Indeed, there is still real confusion as to what is the real rationale for Ryanair's bid oj Thursday.

The question is whether it wants to put Aer Lingus in play in order to flush out another bidder enabling Ryanair to make a quick profit on its investment or is his airline genuinely committed to buying its much smaller Irish rival?

But all agree that this is the biggest corporate event in the company's history since it floated in May 1997.

In the nine years as a public company, Mr O'Leary has come to personify Ryanair's brash 'take no prisoners' business ethos. He has emerged as a big personality in an industry that is not short of big egos.

Although Ryanair, by his own admission on Thursday, is one of Europe's largest airlines, he still likes to act as if he is a rebel fighting the airline establishment. In Ireland, he is often involved in crafting the company's adverts, revelling in lampooning ministers with an abandon most chief executives would be wary of.

Some of his famous publicity stunts have backfired, such as when the airline's millionth customer sued the company after it reneged on a promise to give her free flights for life.

He has been known to play football with his pilots and help out the baggage handlers. However, Mr O'Leary's chummy disposition belies a brilliant but often ruthless business brain.

No-one can question his achievement in transforming Ryanair from an airline carrying 4m passengers in 1998 to one carrying more than 40m this year. What's more, low cost is now the favoured model for almost all short- haul services.

The proposed takeover, Mr O'Leary argued, is in line with other European consolidation, and therefore should not trigger a regulatory challenge. Where the proposed deal is unusual is that it is a low-fares operator that is acquiring the flag-carrier, not the other way around.

This would be Ryanair's first major takeover. Previously, Mr O'Leary has talked as if he can push rivals to one side just through the force of competition.

At 45, there are some signs that he is slowing down. He was married three years ago, and now has a baby boy.

But even with his latest pastime breeding race horses he exhibits a winner's streak. At last year's Cheltenham national hunt festival his horse, trained at his Mullingar stud, won the prestigious Gold Cup. The horse's name War of Attrition.

The Irish government has made it clear that it will not sell its 25 per cent stake. But many analysts wonder whether Mr O'Leary is preparing for his own corporate war of attrition to control the former state carrier.

Load-Date: October 5, 2006

Ryanair shows what it really means to go hostile

FT.com

5 October 2006 Thursday 8:19:48 PM GMT

Length: 826 words

Byline: Chris Hughes

Body

Cunning dawn raid hard to repeat

Even by his own standards of diplomacy, Michael O'Leary has raised the bar when it comes to using aggressive tactics in hostile takeovers.

The Ryanair chief executive quietly mopped up 16 per cent of the shares in rival airline Aer Lingus before launching a full-blown bid on Thursday.

The purchases were made just days after Aer Lingus's initial public offering (IPO). It is hard to imagine a more hostile start to a takeover.

Bidders normally struggle to pull off a "dawn raid" such as this without exposing their identity or massively pushing up the price of the target stock. Ryanair has avoided either pitfall. It paid on average 2.42 per share, only a 10 per cent premium to Aer Lingus's already discounted float price. Meanwhile, traders were wrongly pointing fingers at BA.

The move could lower the total cost of Ryanair's bid, pitched at 2.80 a share for the outstanding stock.

Having bought more shares on Thursday, Ryanair is now closer to gaining 50 per cent of the stock, giving it effective control of Aer Lingus, assuming regulatory clearance.

One downside to such tactics is that they make it harder to do an agreed deal later on. But that was an unrealistic ambition here, given the apparent reluctance of the Irish government, Aer Lingus's dominant shareholder, to countenance a sale.

Ryanair shows what it really means to go hostile

Many UK companies may be fretting that they are vulnerable to similar assaults. Ryanair has made it look so easy. Indeed, buying stock in a target has been an increasingly popular tool for bidders, having recently sealed the fate of BAA, the airports group.

However, Aer Lingus looks like a special case. Ryanair was able to grab some of the shares because many investors in the Aer Lingus float were hedge funds looking to make a fast buck by selling out quickly. The Irish government should be asking its advisers, Allied Irish Banks and UBS, if they could have done more to sell the IPO to long-term investors who might not have sold out so fast.

Shares in most companies that have been listed for some time are not so liquid that they are vulnerable to dawn raids on this scale. Still, Ryanair has shown companies looking to float why they might prefer their shares to go to committed investors.

Ofcom shows up ITV

One of the UK's most influential media jobs was filled on Thursday after a wide-ranging search that unearthed credible internal candidates and a spread of external contenders.

Sadly for shareholders in ITV, the role was not the vacancy for its chief executive but Ed Richards' appointment to the helm of Ofcom.

The communications regulator's success in replacing Stephen Carter, who left in June, contrasts with ITV's glacial progress finding a successor to Charles Allen, whose departure was announced two months ago.

Candidates have been ostentatiously ruling themselves in or out for the ITV job via the gossip columns.

In fact, ITV's headhunters have yet to contact any of them.

Given that Mr Allen's resignation was preceded by years of shareholder sniping, the hope was that the board would rush to find a strong successor once the decision to part with him was made. With advertising revenues in freefall, the need for strategic leadership is becoming more urgent.

So why the delay? The joke among some rival headhunters is that Scotland's grouse moors have been competing for the attention of Sir Peter Burt, ITV's chairman. However, the reality is that it is hard to find a person who combines programming talent, a rapport with advertisers, the skills to extend ITV's run of luck with Ofcom and City popularity.

ITV's board is rightly casting the net widely. But it may also have deterred candidates by allowing Mr Allen to say that ITV will stick to his strategy after he has left. What freedom does that give his successor?

Candidates also know that the longer ITV takes, so the challenge that will face the incoming chief grows making the company more vulnerable to a private equity bid on his or her watch.

ITV's board is heavy on bankers and light on creative types who understand the fast-changing media industry. If it fluffs this appointment, it may find investors demanding that more heads roll.

Trouble at Topshop

Jane Shepherdson could scarcely have picked a more damaging moment to quit as brand director of Topshop, the jewel in the crown of Sir Philip Green's Arcadia retailing empire.

It comes only a week after Sir Philip admitted dropping the ball at BHS and just as Topshop staff who apparently cried upon Ms Shepherdson's exit prepare for Christmas. The public relations blow is made worse because Sir Philip has lately given the impression, in staged appearances with supermodel Kate Moss, that fashionable society may have distracted him from the day job.

It will be now be up him to show that his unique brand of charm can be a substitute for Ms Shepherdson's motivating force on the shopfloor.

To comment, visit www.ft.com/lombard

chris.hughes@ft.com

ITV: andrew.edgecliffe-johnson@ft.com

Load-Date: October 5, 2006

Ryanair launches 1.48bn bid for Aer Lingus

FT.com

5 October 2006 Thursday 9:52:22 AM GMT

Length: 531 words

Byline: Lina Saigol, European M&A Correspondent

Body

Ryanair, the Irish-based low-cost airline, on Thursday launched an audacious 1.48bn ($1.9bn) bid for Aer Lingus, the Irish flag carrier which was privatised last week.

Ryanair said it had snapped up a 16 per cent stake in Aer Lingus and planned to make make an all-cash offer of 2.80 a share for the remaining shares. It said this represented a 27 per cent premium over the IPO price of 2.20 and 12 per cent over Aer Lingus's closing price on Wednesday of 2.51.

The offer is conditional on obtaining at least a majority of shares in Aer Lingus. Ryanair has more than 2bn in cash to spend on acquisitions.

Michael O'Leary, Ryanair chief executive, said in a statement: "This offer represents a unique opportunity to form one strong airline group for Ireland and for European consumers. This offer - if successful - means both companies will continue to operate separately and compete vigorously in the small number of routes on which we both operate - currently around 17 of the approximately 500 routes operated by the two airlines.

"We believe the price of 2.80 to be an excellent offer. If accepted the Irish government will realise over 500m from the sale of their Aer Lingus shares, and the employees will realise over 220m, which equates to an average of over 60,000 per employee."

In early trading Aer Lingus shares were 10 per cent higher at 2.75, while Ryanair was 3.6 per cent lower at 8.39.

However, analysts said Ryanair was likely to face opposition from the Irish government, which retained a 34.8 percent stake in the airline when it floated, over competition issues.

The government retained its blocking minority stake in Aer Lingus after last week's IPO as a way of keeping Irish control of the airline's 23 lucrative landing slots at London's Heathrow Airport.

The move could also trigger significant job losses as Ryanair tries to cut reduce costs including the average short haul fare and Aer Lingus' fuel surcharges.

There was no immediate response from Aer Lingus or the Irish government. Morgan Stanley and Davy Corporate Finance are advising Ryanair.

Ryanair said there were were several precedents across Europe, including the UK and Scandinavia, for two airlines of similar nationality coming together to form a larger and more diversified airline group.

Last week, Ryanair raised its profit guidance and said that it was ordering a further 32 Boeing aircraft valued at around $2.2bn at list prices before heavy discounts.

However, it also warned investors that it had hedged its fuel requirements for the period from January to March close to the market peak at prices equivalent to $73 per barrel of Brent crude, the oil market benchmark, compared with a spot price in recent days of around $60 a barrel.

FT VIEW

Kevin Done, Aerospace Correspondent, writes: This move would mark the biggest possible departure from the low-cost model that Michael O'Leary has followed with religious zeal and singular success for more than a decade. It takes him into difficult, uncharted territory of government relations the Irish state still holds 34 per cent treacherous union relations and long-haul services. And Mr O'Leary is hardly renowned for his diplomatic skills.

Load-Date: October 5, 2006

'Trust us' over shock bid, says Ryanair

FT.com

5 October 2006 Thursday 8:34:01 PM GMT

FINANCIAL TIMES

Length: 846 words

Byline: Kevin Done, Aerospace Correspondent

Body

Michael O'Leary, Ryanair's chief executive, is seldom stuck for words. But he will have to do a lot of convincing to justify his latest move to try to take over Aer Lingus only days after the rival Irish carrier completed its own successful flotation on the Irish and London stock exchanges.

In the days leading up to Aer Lingus's initial public offering Paddy Power, Ireland's biggest provider of fixed-odds sports betting, opened a book on what stunt Mr O'Leary would pull to "deflect attention away from the national carrier's day of glory".

You could take a punt on Ryanair offering a big free flight promotion, introducing an inflight service, launching transatlantic routes or acquiring the naming rights to Dublin airport as "Ryanair Airport". But not even Paddy Power came up with the outlandish notion of Ryanair making a takeover bid for Aer Lingus.

"He never fails to surprise that man it's incredible," the bookmaker said on Thursday night.

Investors were as nonplussed as analysts and bookmakers as the Ryanair share price fluctuated during the day making early gains, then falling away. It closed 9 cents lower at 8.63.

"No one dreamed he would buy a network airline," said one leading aviation analyst. "Aer Lingus is suddenly available but this is the action of a pirate. Ryanair is one of the best low-cost carriers in the world with a fantastic 10 years of future growth ahead. Where, though, is the strategic logic of the deal "

Mr O'Leary has built Ryanair ruthlessly since the mid-1990s into Europe's leading low-cost carrier. It is already on track to carry 42.5m passengers in the current financial year to the end of March and is planning for 84m by 2012.

It is aiming to more than double its fleet of 189-seat Boeing 737-800s from the 134 due by next March to 281 aircraft by March 2012.

It has been the most profitable airline in Europe for several years and one of the most profitable in the world, with net margins consistently above 20 per cent. British Airways, the airline currently with the highest absolute operating profit in the world, still dreams of margins of 10 per cent and that is only at an operating, not a net, level.

Mr O'Leary has achieved this success with a zealot's commitment to the purist principles of the low-cost airline model. He has the lowest costs in Europe. The seats on his aircraft no longer recline, there are no blinds on the windows and there will soon be mobile phone services.

You can buy inflight scratch cards, he charges for baggage and there will be seat-back advertising anything to make money.

He offers cheap flights and more punctual flights than his rivals. He thinks his passengers can expect no more. And in most cases, they get no more. If you want anything else or you cannot stand the noise on board, take another airline. And if you are an employee, you can forget union representation.

He is unapologetic. And the formula has been an outstanding success. Until now. If he takes over Aer Lingus, the magic circle could be broken.

Aer Lingus itself has achieved a highly successful turnround since 2001 and a near brush with bankruptcy.

It has been transformed from a state-owned legacy airline and network carrier into a lower-cost, low-fare short-haul operator with long-haul operations largely to the US. It has restructured and shed thousands of jobs but it remains highly unionised and a bastion of the union movement in Ireland. So why does Ryanair want it?

Howard Millar, deputy chief executive and chief financial officer, said simply: "We think it is a good investment. We don't do things without having thought about it.

"Aer Lingus after Ryanair is one of the most profitable carriers in Europe. We know them very well. We think with our know-how [and] our purchasing power, we can improve the business and make it even better."

Mr Millar argued that Ryanair would be able to bring its "enormous leverage with Boeing" to bear to obtain lower aircraft acquisition costs for Aer Lingus. It would also be able to negotiate better airport deals.

Ryanair has spent much of its life rudely abusing the Irish government and most other governments and the European Commission. But as political controversy raged on Thursday in Ireland over the move, Ryanair said it was perfectly prepared to keep the Irish government as a minority shareholder at Aer Lingus, where it still holds a 28 per cent stake after the IPO.

"We will control the board," said Mr Millar. "We will have the majority. 'All in favour? Aye.' That's how boards work."

Equally, Ryanair was cheerily confident that it could overcome competition objections. The size of the proposed deal appears to ensure it will be scrutinised by the European as well as the Irish competition authorities. Brussels has shown itself broadly favourable to consolidation in the European airline industry, believing the sectortoo fragmented.

Ultimately, even Mr O'Leary was a little at a loss on Wednesday to explain any bigger rationale than a financial killing. He ended his address to analysts with the words: "Trust us that we are doing something sensible."

Load-Date: October 5, 2006

Ryanair/Aer Lingus

FT.com

5 October 2006 Thursday 10:39:19 PM GMT

Length: 619 words

Body

To do a deal because it offers better returns than keeping the money on deposit seems an odd motivation, yet this is one of the stated factors behind Ryanair's surprise 1.5bn offer for Aer Lingus. The promptly rejected approach has other unusual facets.

Ryanair built a 19 per cent stake only days after Aer Lingus' initial public offering. Yet it is debatable whether the deal will make it past European competition authorities. ABN Amro calculates that the two airlines have 78 per cent of the UK/Ireland market between them, and Ryanair's suggestion that the companies could be run separately seems unlikely to satisfy regulators. Against that, European regulators favour consolidation to create powerful European carriers and Ryanair has legal advice that the issue will be considered on an airport-to-airport basis, following European precedent. Crucially, this would split the Dublin-London route into five markets.

The Irish government has already said it will not sell the 28 per cent stake it currently holds, though this does not prevent Ryanair gaining control. The government also opposes the disposal of any of Aer Lingus's Heathrow slots and has written in safeguards against this. Chief executive Michael O'Leary's colourfully worded attacks on plans for a second terminal at Dublin airport have hardly fostered a constructive relationship as yesterday's anti-monopoly rhetoric from the transport minister appeared to confirm.

In the event that these issues are resolved, the deal is unlikely to get done at this price. But, whatever the price, any deal would alter Ryanair's profile, since it would no longer offer a pure play on the low-cost, short-haul market. Such a deviation may suggest that its rapid organic growth within Europe is starting to run out of steam. Still, given its cost-cutting record, it could probably be counted on to improve Aer Lingus' profitability. That at least sounds like a better reason to bid than improving returns on its cash pile.

Apart from the fact that it comes only weeks after Aer Lingus' initial public offering, it is highly debatable whether the deal will ever make it past European competition authorities. ABN Amro calculates that Aer Lingus and Ryanair have 78 per cent of the UK/Ireland market between them, and Ryanair's suggestion that the companies could be run separately hardly seems likely to satisfy the regulators. Against that, the EU strongly favours consolidation to create powerful European carriers, and has not previously blocked a big inter-European airline deal.

Then there is the Irish government, which will still hold a 26 per cent stake after the IPO is wrapped up. The departments of finance and transport have already said the government will not sell its stake. The government is opposed to the sale of any of Aer Lingus's Heathrow slots, which it regards as strategically vital, and has included safeguards against this in the documentation of the IPO. The long-standing pitched battle between the government and Ryanair over what chief executive Michael O'Leary regards as the government's incompetent running of Dublin airport means that relations are hardly conducive to constructive discussions.

In the event that all these complex issues could be resolved, the deal is unlikely to get done at this price. But any deal would represent a change of business model for low-cost, low-service Ryanair. If its rapid organic growth within Europe is starting to run out of steam, it could even be a sensible route, and its strong execution would almost certainly allow it to cut out further costs, union difficulties notwithstanding. That at least sounds like a better reason for the bid than making better returns on its cash pile.

Load-Date: October 5, 2006

Getting hung up on cost reductions

FT.com

5 October 2006 Thursday 8:10:10 PM GMT

FINANCIAL TIMES

Length: 762 words

Byline: Jonathan Moules

Body

Does Michael O'Leary, chief executive of low-cost airline Ryanair, know no bounds when it comes to shaving costs from his business?

The official press notice announcing the company's 1.48bn (GBP1bn) bid for Aer Lingus, Ireland's smaller national carrier, was helpfully posted on Ryanair's website, saving a fortune on printing paper copies. Just as well, since the full document ran to 31 pages.

However, journalists were less than impressed when they called the press office number given on the media release and found themselves stuck on the end of a recorded message asking if they would like to make a ticket reservation.

Luckily Mudlark found a number for Ryanair's external PR agency.

If only such a solution was available to Ryanair customers, who often have little choice but to sit on hold, waiting to be connected to a customer service representative as their phone bill mounts up.

Green fingers

Jonathan Hughes-Morgan who is stepping down as managing director of Thames River Capital, the hedge fund group he co-founded eight years ago, to spend more time with his family is one of those rare individuals for whom "gardening leave" is not a euphemism.

Getting hung up on cost reductions

Hughes-Morgan is a keen gardener and will spend much of the next few months in his garden in Cobham as well as "improving his golf", says Charlie Porter, who co-founded Thames River with him and says he is one of his best friends.

After that, the odds are he will re-emerge in the City, possibly even returning to Thames River, in which he is keeping his shares and to which he will act as a consultant.

Poor marks

Marks and Spencer has staged an impressive revival in its fortunes on the high street, but the retailer still has a way to go in its command of English.

The company recently apologised to one customer for a grammatical error on one of its pyjama tops.

The source of the upset were the words "Baby Giraffe's", printed above a picture of two giraffes on the garment.

The mistake was spotted by Suzanne Walker, the daughter of a retired English teacher, who bought the nightclothes for her three-year-old son.

M&S said the item was no longer on sale and has sent Mrs Walker vouchers as a goodwill gesture.

Missing in action

Dick Olver, chairman of BAE Systems, heralded Wednesday's vote by shareholders to approve the sale of its 20 per cent stake in Airbus as a "historic moment".

But given the meagre attendance of his fellow non-executive directors at the extraordinary meeting in west London's Novotel hotel, it is not clear everyone shared his sense of occasion.

Out of eight non-executives, other than Mr Olver, only two were in attendance: Sir Peter Mason, senior independent director at the British defence group, and Michael Hartnall, chairman of the audit committee.

Given the unanimous support from institutional investors, the vote was a done deal, as shown by the 99.85 per cent winning margin. Even so, private shareholders, reassured by Mr Olver that this was a meaningful occasion where their voices would be heard, were miffed by the six absentees, apparently all travelling on the day.

Sweet dreams

Aspiring entrepreneur Edward Bayliss is a bit of a fitness fanatic. His start-up Perfect Sweet sells an organic alternative to sugar, using a natural substance called Xylitol, extracted from corn husks.

As if starting a business was not enough of a test, Bayliss is also attempting to row across the Atlantic in December, covering the same route completed earlier this year by Olympic rowing champion James Cracknell and television presenter Ben Fogle.

Bayliss has moved to the west country to train for his challenge and spends four hours running on the beach each day.

He and his rowing partner Stuart Turnbull hope to break the world record of 40 days and five hours.

They also aim to raise more than GBP200,000 for Cancer Research as a result of the 3,000-mile feat, which will be undertaken in a 25ft plywood boat.

In memory

A memorial service is to be held in St Paul's Cathedral at 11am on October 16 in honour of Jeremy Willoughby, director of compliance at Schroders, who died suddenly in June aged 56. Before Schroders, he held a similar position at Gartmore and was widely respected as one of the most practical compliance people in the City.

Willoughby was a great supporter of the arts and one of his particular favourites was the City of London Festival. The Tokyo String Quartet concert on July 3 at this year's event was dedicated to him.

He was also a director of the Museum of London and chair of the board of governors at St Paul's Way Community School in Tower Hamlets.

mudlark@ft.com

Load-Date: October 5, 2006

BA cuts revenue forecast

FT.com

4 October 2006 Wednesday 4:07:04 PM GMT

Length: 326 words

Byline: FT reporters

Body

British Airways on Wednesday cut its forecasts for revenue growth, saying that restrictions on hand luggage introduced after the UK airports terror scare in August meant that full-year growth would be between 5-6 per cent, rather than its previous forecast of 6-7 per cent.

However, the airline said recent falls in fuel prices would cut the increase in its fuel bill this year to GBP450m, against its earlier estimate of GBP550m-GBP600m.

BA, which was forced to cancel more than 1,000 flights in August due to the terror scare, said the restrictions on hand luggage which were eased last month resulted in soft passenger growth.

Premium traffic in September was up by 1.5 per cent, compared with the same month last year, but that was a sharp fall from the 9.5 per cent year-on-year growth seen in August.

BA shares were 3 per cent higher in afternoon London trading at 448p.

"The collapse in premium traffic is pretty serious," said Chris Avery, an analyst at JP Morgan. "The offset to the cut in revenue guidance is the cut in fuel cost growth, and on the day the bulls are winning it."

The passenger load factor a measure of how full flights are fell 0.8 percentage points to 78.8 per cent.

"Market conditions continue to be good, and most segments of the business are recovering well from the events of August," BA said in a statement.

"The reintroduction of standard carry-on bag sizes agreed at the end of the month, and harmonisation of rules on liquids planned for the end of October, are expected to support the gradual recovery of these segments of the business going forward."

However, Mr Reid cautioned that there remained some risk that premium traffic would not come back, even after the easing of hand luggage restrictions.

Low-cost carrier Ryanair said its passenger numbers rose 17 per cent in September to 3.5m, with the load factor slipping one percentage point to 86 per cent. The shares were 22 cents higher at 8.61 in late Dublin trading.

Load-Date: October 4, 2006

Ryanair raises profit guidance

FT.com

29 September 2006 Friday 6:22:04 PM GMT

Length: 395 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, the leading European low cost airline, raised its profit guidance on Friday and said that it was ordering a further 32 Boeing aircraft valued at around $2.2bn at list prices before heavy discounts.

The share price rose by 16 cents or 1.9 per cent to close on Friday at 8.44, just below the all-time high of 8.45 reached on Monday.

The group is continuing to expand quickly and is planning to double in size by 2012 on the basis of the firm aircraft orders already placed with Boeing to become the largest short-haul airline in Europe carrying 84m passengers, up from 42.5m passengers this year.

Michael O'Leary, chief executive, told investors in New York, that the group was raising its guidance and forecast an increase in net profits for the year to the end of March of 11 per cent to approximately 335m, slightly up from the previous guidance range for an increase of 5-10 per cent.

Ryanair increased its first quarter pre-tax profits (from April to June) by 67 per cent to a record 128.6m, but warned that it faced difficult trading in the coming winter season due to its big increase in capacity and the high oil price.

Earlier this week it warned investors that it had hedged its fuel requirements for the period from January to March close to the market peak at prices equivalent to $73 per barrel of Brent crude, the oil market benchmark, compared with a spot price in recent days of around $60 a barrel.

Mr O'Leary said on Friday the airline's outlook for the second half remained "cautious." He forecast a fall in yields or average fares of only 5 per cent in the six months from October to March, however, rather than the earlier warning of a fall of 5-10 per cent.

Ryanair was launching 106 new routes during the winter including two new bases in Marseille in November and Bremen in April, he said, and slightly increased the forecast for passenger numbers in the full year from 42m to 42.5m.

The fleet, which will total 134, 189-seat Boeing 737-800s by the end of March will double to 281 by March 2012 including the firm orders for 32 aircraft announced yesterday. The additional aircraft will be delivered between September 2008 and June 2009.

Mr O'Leary said the latest batch of firm orders had been made at option prices agreed with Boeing in 2005, and he claimed these gave Ryanair "the lowest per seat operating cost of any airline in Europe."

Load-Date: September 29, 2006

Ryanair hedges fourth quarter fuel needs

FT.com

26 September 2006 Tuesday 6:06:46 PM GMT

FINANCIAL TIMES

Length: 509 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, Europe's leading low cost airline, disclosed on Tuesday that it had recently hedged its fuel requirements for the first three months of next year close to the peak of the market.

It warned investors that it had hedged its fuel requirements for the period from January to March at $73 per barrel of Brent crude, compared with a price in recent days of around $60 a barrel. Forward prices for January deliveries of Brent crude were on Tuesday around $62 a barrel.

The airline was still unhedged in early August for the final quarter of its financial year from January to March 2007 and became increasingly nervous as the oil market reached a new peak of more than $78 a barrel in the first two weeks of August.

By hedging close to the peak oil price, the fast-growing airline will be unable to take early advantage of the recent steep fall in the crude oil price.

Michael O'Leary, Ryanair chief executive, said in early August that the group was 90 per cent hedged until the end of October at $70 a barrel and was 90 per cent hedged for November and December at $74 a barrel. It was unhedged for the final quarter of the financial year, however, and was looking for opportunities to hedge its outstanding fuel requirements.

The announcement of the level of the hedging contracts knocked the Ryanair share price back slightly from the all-time peak it reached on Monday of 8.45 a share as part of a sector-wide climb. Airline shares have benefited strongly in recent weeks from the falling oil price.

The share price was 5 cents or 0.6 per cent lower at 8.40 in afternoon trading.

Andrew Fitchie, aviation analyst at Collins Stewart, said Ryanair had "paid the price" for leaving itself unhedged for the latter part of its financial year. "It has ended up with one of the highest unit fuel costs in the sector." It could, however, be a "major beneficiary" of lower oil prices next year, if it locked in around current levels.

Ryanair increased its first quarter pre-tax profits (from April to June) by 67 per cent to a record 128.6m, but warned that it also faced difficult trading in the coming winter season due to a big increase in capacity and the high oil price.

The company said that if oil prices remained above $74 a barrel it could make a loss in its final quarter from January to March 2007. Despite the very strong first quarter, Mr O'Leary said in August that net profits for the full year were still expected to rise by only 5 to 10 per cent.

Almost all of the airline's profits would be generated during the first half of the financial year from April to September with a big reduction in profitability in the second half.

Separately, the airline announced on Tuesday that it had opened a new stream of ancillary earnings by signing an exclusive five-year deal with InviseoMedia to install and sell seatback advertising across its entire fleet of aircraft.

The Ryanair fleet will total 134 aircraft by the end of March and 234 by March 2012 based on existing firm orders. The airline expects passenger numbers to total 42m in the current year.

Load-Date: September 26, 2006

Isle with an air of exclusivity

FT.com

22 September 2006 Friday 1:26:08 PM GMT

Length: 953 words

Byline: Emma Tucker

Body

From the shell of an unfinished villa, through what will eventually be a window overlooking the Atlantic, it is just possible to see a small boat and a great deal of splashing out on the dark blue expanse of ocean.

"Oh, another whale," says Roger Still, the development manager of Palheiro Village, a new residential complex that grips one of the famously steep hillsides in Madeira.

Whale-spotting is nothing new for those who know Madeira. They're just one reason why the tiny island only 57km long and 22km wide seems so exotic, a part of Portugal since the 15th century yet somehow completely un-European.

It also has those hills, which drop straight into the ocean, leaving no conventional beaches; a striking, craggy interior; a year-round temperate climate; an almost obscene abundance of bananas and flowers; and a rich history as a post for trade with the US.

The connection to the mainland is clear, of course. The islanders speak Portuguese, the food is Portuguese and the local architecture particularly the island's Gothic churches is livened up by the decorative Manueline style unique to Portugal. There is also a significant British contingent, which arrived in the 17th century and still exerts an influence.

Yet the island has not been turned into a typical southern European tourist trap. There are plenty of visitors sipping the fortified wine also known as Madeira, sitting in the island's tea rooms, playing on its golf courses and walking the famous levadas inland. But, unlike on the Algarve, the Spanish costas or the French Rivera, the presence of sun seekers is not what hits you on arrival. And it's this air of exclusivity Madeira is neither an Easyjet nor a Ryanair destination that is propelling the island's emergence as a second home market.

Isle with an air of exclusivity

Traditionally, anyone interested in owning property on Madeira had to pick from a limited selection of private apartments and villas, mostly in Funchal, the pretty, but busy, capital.

One group of upmarket apartments, built next to the island's most famous hotel, Reid's Palace Hotel, attracted a mix of foreign and local buyers, and residences there now sell for anything from 450,000 to 500,000. But the island has lagged other resort areas in terms of new construction and price rises.

"Madeira offers a better deal simply because it is a much smaller market and there is much less competition between buyers," says Tony de Nobrega, an independent estate agent selling homes priced from 170,000 for a three-bedroom apartment to 3.1m for a 19th century quinta overlooking Funchal's horseshoe-shaped harbour.

The absence of child-friendly beaches and cheap flights, not to mention the island's copious rainfall, are some of the reasons developers were reluctant to enter the market. But, thanks to a newly refurbished airport and a big road building project, they are starting to recognise the island's potential. "Madeira was a sleeping beauty," Still says. "Only in the past 10 years has improved infrastructure made access to the island easier."

The sloping Palheiro Village, an extension of an existing 200-year-old estate with a golf course, country house hotel and spa, is the first big second home community of its kind on the island. When complete it will have 32 one- and two-bedroom apartments and a number of three- and four-bedroom villas, some with their own pools; there are also 30 large building plots available at the top of the steeply sloping development. Colombo's Resort a development of 193 apartments, 12 villas, a hotel and spa designed by Spanish architect Ricardo Bofill is meanwhile rising on Porto Santo, a 14km by 4km island with nice sandy beaches just off Madeira's north-east coast.

So far prices on Madeira remain well below those at competing mainland locations. At Palheiro, where construction is under way, homes are selling from 3,200 to 4,000 per sq metre, compared with 4,400 to 5,000 per sq metre for new, up-market, off-plan apartments in the Algarve.

Promoters of Madeira argue that its "downsides" the rain, the lack of sandy beaches and the absence of low-cost carriers will eventually attract second-home buyers because they also serve to keep tourist hordes away. There are also strict planning and conservation controls, strengthened over the past 10 to 15 years in response to some of the overdevelopment horrors on the Algarve.

Linda Beaney, a partner at her London estate agency, a keen golfer and walker, confirms that she bought a home in Palheiro in part because the island is so "grockle-free". "It is very undeveloped. It does have its touristy areas but they don't intrude," she says. "I had in mind the possibility of buying a property overseas as an investor that I could keep for five to 10 years but also have some fun with."

Ease of access was also important. It takes about four hours to fly to Madeira from most northern European cities and Palheiro is just a few minutes outside Funchal, perched above a busy road. "I am not very good at taking long holidays and what is terrific is that this is somewhere where I can look at my diary on a Wednesday or Thursday and decide to grab three nights at the weekend," she says.

Dublin-based David Lawlor, a father of two in his mid-40s who doesn't play golf, has also bought a plot at Palheiro and plans to build a substantial villa with a swimming pool. "The things that always put us off other resorts in France, Italy or Spain were that it was too hot in summer or that the resorts were just that holiday centres that existed in kind of bubble," he says. "We saw the place and just loved it. It's just so hard to describe the air and the smells, and the steepness of the hills."

Emma Tucker was a guest of Palheiro Village

Load-Date: September 22, 2006

Ryanair opens second base in Germany

FT.com

19 September 2006 Tuesday 7:16:48 PM GMT

FINANCIAL TIMES

Length: 359 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, Europe's leading low cost airline, is intensifying the competitive battle in the German aviation market by opening a second German base at Bremen.

The Irish airline is also investing 10m to buy a low cost terminal facility at Bremen airport after emerging as the successful bidder in an EU tender.

This is the second time that Ryanair has decided to invest in local airport facilities. It agreed last year to participate directly in financing the expansion of Frankfurt-Hahn airport by providing a 12.5m loan to fund 50 per cent of the capital expenditure on a new passenger terminal at the airport.

The move into Bremen will sharpen Ryanair's rivalry with Germanwings, the low cost arm of Lufthansa, which opened its fourth German base in nearby Hamburg in November last year, and which is trying as to develop a broad base in its home market to counter the expansion by foreign carriers.

Ryanair will initially base three aircraft next year in Bremen, its 17th European base, two from April and a third from September.

It announced an initial network of nine European routes from Bremen including London Stansted, Barcelona and Murcia in Spain and Pisa, Venice and Verona in Italy. It said it planned to carry 1m passengers a year through Bremen by 2009, increasing the airport's international passenger numbers by 50 per cent.

Lufthansa has also used nearby Hamburg as its testbed for the development of lower fares across its mainline European short-haul network. It started last year to offer fares from 99 return including taxes and charges as part of its fight back against the incursions of the low cost carriers.

EasyJet, the UK low cost carrier, has also moved aggressively into the German market with the opening of two bases in Berlin-Schonefeld and Dortmund.

Ryanair agreed last year with Frankfurt-Hahn, its most important operating base in continental Europe, to triple its presence by 2012, increasing the number of aircraft based at Hahn, a former US fighter base located 60 miles west of Frankfurt, from six to 18 by 2012.

In Hahn Ryanair has grown to 4m passengers a year in six years and is planning to double this to 8m by 2012.

Load-Date: September 19, 2006

Going, gone but not very often

FT.com

19 September 2006 Tuesday 8:22:11 PM GMT

Length: 743 words

Byline: Clay Harris

Body

British Car Auctions may sell a car every 42 seconds but it changes hands itself far less frequently. Until Tuesday's sale to Montagu, it had been owned for 11 years by an investor group including Lord Ashcroft.

The vendor back in 1995 was ADT, the electronic security company then led by Ashcroft. In its earlier incarnation as Hawley Group, ADT had bought the then-listed BCA in 1987.

BCA had been built up by David Wickins, whose dealings with Ashcroft predated the takeover.

In the early 1980s, BCA and Hawley had an investment holding vehicle, Midepsa International.

While BCA was still independent, Wickins also hired Mark Thatcher as his representative in the US. Sir Denis Thatcher and Wickins had both been on the board of Attwoods, the waste disposal group.

Wickins, who is now in his late 80s, bowed out after BCA's sale to Hawley and retired abroad.

O'Leary's Malteser

The badinage between Irish businessmen knows few bounds. Ryanair on Tuesday ran an advert in Irish newspapers promoting its latest new route Dublin to Malta. It featured a picture of Denis O'Brien, the telecommunications entrepreneur who was reported last week to have moved his tax residency to the Mediterranean island ahead of the upcoming flotation of Digicel, his 83 per cent owned Caribbean mobile company.

The bubble caption read: "Just heard 'bout Ryanair's free seat sale! I'm moving to Malta!" The advert encouraged readers to book now for free flights. "All you pay is taxes," one thing O'Brien will apparently not be paying in Malta.

Going, gone but not very often

Michael O'Leary, Ryanair's chief executive, is known to take a hands-on approach to designing the company's ad campaign, often using the medium to lampoon Irish ministers or the Brussels bureaucracy for thwarting his ambitions.

The swipe at O'Brien has his fingerprints all over it.

Sual suspects

Rusal and Sual, Russia's largest aluminium companies and fierce rivals, are expected in the next few weeks to announce whether they will merge to form the largest aluminium producer in the world.

Vladimir Putin, the Russian president, has given his blessing to the union, and leading shareholders Oleg Deripaska of Rusal and Viktor Vekselberg of Sual are understood to agree that the deal makes industrial sense. There is even talk that the combined group would list in London.

But negotiations on terms are at a tense stage, and it is starting to show.

Brian Gilbertson, Sual's South African chief executive and one of the mining industry's best known figures, was speaking on Tuesday at Metal Bulletin's aluminium conference in Moscow.

After a few minutes of microphone problems, Gilbertson said: "I think it must be a Rusal design."

Singer on song

Adam Singer, one of the few people to survive a career in the cable industry and emerge with some credit, is resigning as chief executive of MCPS-PRS, the nerdy but vital outfit that collects and distributes royalties for musicians and performers. He will stay as the alliance navigates a copyright tribunal in the next couple of months, but the timing is a surprise, 19 months after he joined.

"I'm available for weddings, bar mitzvahs, funerals," he jokes. With a CV that includes launching the Disney Channel in the UK, being John Malone's cable guy in Europe and running Telewest, does this mean there is a new name in the frame for the top job at ITV? "Absolutely not," he tells Mudlark.

How about the vacancy for a chief executive of Ofcom, where Singer already sits on the content board? "I've not applied. I've no desire to take over from Stephen [Carter]. That's a difficult role for anyone to sell." Instead he will balance the Ofcom job with consultancy and projects including "a major property opportunity" behind his house.

At 55, Singer said he was "reaching that stage where the polygamy of a plural life beckons over the monogamy of corporate life". Ellis Rich, MCPS-PRS chairman, does not seem to begrudge the speedy exit, saying Singer did much to get the music industry ready for the digital age in his short stay. "Adam's years are like several human years," he says.

The name says it

Here's a rare example of an inspired rebranding: BCCB, the British Consultants and Construction Bureau, has renamed itself the much snappier British Expertise.

Direct line

An HSBC customer, despairing of getting an answer to a problem with her account, e-mailed the office of chairman Stephen Green late on Monday.

On Tuesday morning, Green rang her to promise he'd look into the matter.

mudlark@ft.com

Load-Date: September 19, 2006

Airport security: Empty-handed and wasting precious time

FT.com

15 September 2006 Friday 4:56:12 PM GMT

Length: 549 words

Byline: Jill James

Body

It cannot have been a good couple of months for the makers of that sine qua non of the business traveller, executive hand luggage.

If holidaymakers have been seriously inconvenienced by the severe restrictions on aircraft luggage, wrought by the latest terror alert in London, then it has been even more troubling for the business traveller.

Following the UK government's reduction in security levels from critical to severe, passengers are still reminded by the British Airports Authority that strict security remains in place at all UK airports and that the easing of restrictions is not a return to normal.

Although there has been talk of easing the policy in the next few days, passengers still face hand baggage restrictions and are being asked to allow extra time for their journey and to arrive "prepared".

That means, in effect, that passengers must bring only one item of hand baggage that until last week had to be 45cm x 35cm x 16cm, and be prepared to check in all other luggage. However, talks were taking place as Global Traveller went to press to allow small trolley bags as hand luggage.

All items carried by passengers will be screened and whether or not liquids, cosmetics, toiletries, gels or pastes are permitted, there will still be an ongoing debate about the secuirty risk that these items pose.

Once through security, if you are travelling to any destination except the US, you can take items purchased in the departure lounge into the aircraft.

Business travellers to the US have extra restrictions, however. Passengers face secondary security searches at the gate. No toiletries or cosmetics purchased in the departure lounge will be allowed into the aircraft cabin and any drinks or liquid items must be consumed before boarding. Food, however, is allowed. Passengers boarding flights to the US will be subjected to a secondary search at the gate and any liquids discovered will be removed.

The loss of the hand luggage facility posed a difficulty for business travellers, and its partial restoration probably causes more problems than its solves. It has certainly led to confusion among passengers concerning what items are, and are not, allowed on board.

Until the latest terror alert, some airlines had been actively encouraging travellers to take only hand luggage. Ryanair is one example. Michael O'Leary, its chief executive, is railing against the imposed restrictions to the extent of taking the matter to court.

Business travellers needing to check in luggage that they would rather carry on have been irritated that time that might be spent on work has been wasted in slow moving queues.

Leaving the airport quickly to fit in urgent meetings has been an impossibility for the last few weeks since business people have had to wait at the luggage belt along with everyone else.

Tom Barber, one of the founding directors of Original Travel, a short breaks company, is a regular business traveller in Europe, the Middle East and Africa.

He says: "The most unsettling thing about the baggage alert is that it has been changing daily. I hope it has settled down now. Our company deals in short breaks and the hand baggage requirements have been very restrictive.

"However, it does concentrate the mind having only a small bag you can at least lead a clutter-free existence."

Load-Date: September 15, 2006

Aer Lingus

FT.com

12 September 2006 Tuesday 8:17:11 PM GMT

Length: 303 words

Body

At first glance, the price set by Aer Lingus for its initial public offering looks pretty cautious.

A range of 2.10- 2.70 a share seems designed to get the Irish airline's offer away, while a minimum application of 10,000 will deter smaller retail investors, badly burnt in the past by the privatisation of Eircom. Assuming the greenshoe is unused, the state will retain a third of the carrier and employees will keep just over 10 per cent. At 2.40, the mid-price implies a multiple of 9.5 times last year's earnings. This compares with a long-term average, according to Davy Stockbrokers, of 13.1 times for the European network airlines. Assuming an end 2006 net cash position of 165m, adjusted for IPO proceeds, Aer Lingus's implied enterprise value of 1bn is 5.8 times this year's consensus earnings before interest, tax, depreciation, amortisation and aircraft rentals. This is appropriately nearer to British Airways' multiple of 4 times than Ryanair's 11.

So on straightforward valuation metrics, the price range chosen seems sensible. Yet some caution seems justified. Aer Lingus has espoused a hybrid but convincing business model that combines low fares with certain frills. It has also pursued a demanding cost-cutting programme. Still, performance is hardly stellar. In the first half of 2006, underlying operating profit and ebitdar were flat year-on-year.

Deciding to buy the shares will depend less on historic performance, than on willingness to support the management's ambitions to expand its fleet and add long-haul destinations. At the mid-price, the offer will raise 470m of cash for Aer Lingus. After a 104m payment to its pension fund, it will be left with about 350m, even before taking on any new debt, to help fund those ambitions. Cautious is not an obvious word to apply to this strategy.

Load-Date: September 12, 2006

Aer Lingus

Security measures cost BAA GBP13m

FT.com

12 September 2006 Tuesday 10:46:43 AM GMT

FINANCIAL TIMES

Length: 620 words

Byline: Kevin Done, Aerospace Correspondent

Body

The security turmoil at UK airports last month cost BAA, the UK airports operator, GBP13m ($24.2m).

The group, a subsidiary of Spain's Ferrovial, said on Tuesday that passenger numbers at its seven UK airports in August were 5 per cent below forecast.

BAA was delisted from the London Stock Exchange in mid-August following its takeover by a consortium led by Ferrovial, the Spanish construction, infrastructure and services group in a deal which valued the BAA equity at GBP10.1bn.

The disruption last month, most importantly at BAA's three London airports Heathrow, Stansted and Gatwick, was caused by the sudden imposition of much tougher security measures by the UK government on August 10 in response to an alleged plot to blow up several passenger jets across the North Atlantic.

British Airways, the biggest operator at Heathrow accounting for more than 40 per cent of all take offs and landings, said earlier this month that the upheaval had cost it about GBP40m. It said that its booking levels were still weaker than in recent months.

BA was forced to cancel 1,280 flights over several days affecting close to 100,000 passengers. The airline is still keeping its options open on whether to seek compensation and to take legal action against BAA.

Ryanair, the Irish low-cost carrier, has already launched a claim directly against the UK government for compensation for more than GBP3m damages, it says it suffered from the tighter security measures, which led to the cancellation of more than 260 of its flights mainly to and from Stansted airport, its biggest European base.

Security measures cost BAA GBP13m

The security problems at Heathrow have triggered a bitter row between BA and BAA. Willie Walsh, BA chief executive, has blamed the airport operator rather than the government for the turmoil and said recently "If BAA had responded faster, a lot of disruption could have been avoided."

BA has called for the break-up of the BAA London airports monopoly and the separation of the ownership of Heathrow and Stansted airports.

The size of carry on baggage allowed at UK airports is still restricted by UK government regulations in the wake of the security scare.

The rules in the UK are more restrictive than at any other airports in Europe, and limit passengers both leaving the UK and those transferring through the UK to a cabin bag the size of a small laptop bag. BA claims that it is losing transfer passengers at Heathrow to airlines using rival hubs such as Paris Charles de Gaulle and Amsterdam Schiphol.

BAA said that overall it had been forced to request the cancellation of more than 2,000 flights in order to cope with the extra security burden and to restore order to flight operations. Airlines had chosen to cancel around 500 additional loss-making flights, chiefly UK domestic services, in order to save money.

The airports group said that it was recruiting about 400 extra security staff to cope with the demands of the tighter security regime, mainly at Heathrow. BAA had about 6,000 security staff at its seven UK airports before the turmoil last month including 4,600 at Heathrow.

Overall passenger traffic at the group's seven UK airports rose by 0.3 per cent in August to 14.3m. Numbers fell by 2.2 per cent year-on-year at Heathrow in August to 5.99m, but rose by 4.9 per cent at Stansted and by 2.1 per cent at Gatwick.

BAA said UK domestic flights had been worst hit by the disruption with a fall in passenger numbers by 7.6 per cent. European charter traffic fell by 6.8 per cent, although that was mainly due to the continuing competition from low-cost services.

Passenger volumes on European scheduled routes rose by 4.5 per cent, while North Atlantic traffic fell by 3.3 per cent. Other long-haul traffic rose by 8.8 per cent.

Load-Date: September 12, 2006

Observer - Europe

FT.com

6 September 2006 Wednesday 9:10:35 PM GMT

Length: 719 words

Body

Shameful stunt or smart PR? Or both?

Ryanair's revolution against high fare tyranny came close to causing public mutiny in Spain this week. The low-cost carrier offered a free flight to anyone who gathered in Barcelona's Plaza Catalunya with a placard saying why they preferred Ryanair to Iberia, the Spanish flagship airline. Such was the response Ryanair estimates about 500 people gathered that the airline was unable to hand out the promised tickets.

Spanish press reports say a Ryanair representative was mobbed while trying to distribute free flights and then rescued by police when she was cornered by angry placard-bearers. Ryanair denies there was any kind of scuffle, but made it up to the loyal public by giving away a flight to the first 1,500 people to apply by e-mail.

The Spanish airlines association failed to see the funny side, condemning the publicity stunt as "shameful". Ryanair seemed to be taking it in its stride yesterday, jesting that its wider free-seat offer was sparking riots throughout Europe and calling on punters to "join the revolution". It is not as if the company isn't accustomed to such hiccups: Germans turning out for a free seat rally mis-translated the rubric and arrived with frying pans instead of placards.

Meet the new brand

It is easy to mock rebranding attempts. Who can forget the quickly-abandoned push to call IBM's consulting business Monday?

Linde, the German industrial gases group, has for days being saying it will take a new name after its takeover of the UK's BOC. All the suspense ended yesterday when it said it would now be known as...The Linde Group.

That bit of rebranding came from mixing Linde with The BOC Group, the official title of the UK group used by few. What's the betting that Linde remains, well, just plain Linde?

Still, they did try hard to give fans of baffling names something to chew on: the fork-lift trucks business that is being spun off and which includes the brands Linde, Stihl and OM will now be known as Kion.

Hardliner

Mohammad Khatami, the former Iranian president who is enduring snubs by politicians and dignitaries all over the US this week, should not expect any VIP treatment when he arrives in Boston to give a speech at Harvard's John F. Kennedy School of Government.

Mitt Romney, the Republican governor of Massachusetts who is pondering a bid for the White House, ordered all state government agencies to decline support for Khatami including a police escort. "State taxpayers should not be providing special treatment to an individual who supports violent jihad and the destruction of Israel," says Romney.

Romney added Harvard to his for-shame list, calling its decision to host Khatami "a disgrace to the memory of all Americans who have lost their lives at the hands of extremists, especially on the eve of the five-year anniversary of 9/11".

Of course Romney's withholding of police support for the Muslim cleric's visit does not mean that Khatami will have to fend for himself on the mean streets of Cambridge. The US State Department will handle that.

Issue No.?1

The dramatic death on Monday of Steve Irwin, known as the crocodile hunter, whose handling of dangerous animals made him an Australian national hero, has overshadowed campaigning for the key state elections this Saturday in Queensland, where Irwin had his Australia Zoo.

Local media have been anxiously awaiting the coroner's report into exactly how Irwin was killed by a stingray while filming a documentary on the Great Barrier Reef.

The debate has been so intense that some of Queensland's top politicians are already lamenting wasting so much time on the campaign trail.

Geoff Greene, director of the Liberal party in Queensland, said: "The reality is, in this election Steve Irwin is the news from now until the weekend. Those stingrays are public enemy No.?1 for us."

That should do it

Deutsche Post may be under fire from some shareholders and bankers over its strategy but it has a new reason to be proud. Coming hot on the heels of the German group sealing its largest ever contract with the UK health service, a press release from Deutsche Post lands in Observer's in-box.

Deutsche Post has, drum roll please, won Manager Magazine's "Best Annual Report 2006" award. It remains to be seen if that will be enough to calm down the dissidents though.

Load-Date: September 6, 2006

Continental reveals costs of air alert

FT.com

3 September 2006 Sunday 6:12:30 PM GMT

Length: 428 words

Byline: Doug Cameron in New York

Body

Continental Airlines has revealed that last month's security alert cost the carrier millions of dollars in lost revenue, in the first admission by a non-UK carrier that heightened security concerns are having a lasting financial impact.

Houston-based Continental was one of three US airlines alongside American and United identified by US security officials as the target of an alleged plot to bomb transatlantic aircraft following a UK-led intelligence operation on August 10.

The alert led to sweeping new security measures at airports, and the ensuing disruption forced British Airways, Ryanair and other UK-based carriers to cancel hundreds of flights.

Non-UK carriers maintained there had been minimal impact on passenger bookings after the initial disruption, but Continental's latest monthly traffic report has suggested the carrier was forced to cut fares in order to support higher traffic levels.

Continental is one of the largest operators of trans-atlantic services, and continued to add flights over the summer alongside rivals such as Delta, leading analysts to forecast downward pressure on fares.

Continental said late on Friday that its margins in August had been hit by what it described as the "elevated security concerns", reducing its closely watched revenue per available seat mile by 1.5 percentage points from the expected level.

The airline said RASM rose between 6.5 per cent and 7.5 per cent during the month, below analysts' estimates, in spite of record traffic and load factors on other routes, and trailing the 9.6 per cent rise in July.

Continental reveals costs of air alert

Continental's mainline RASM which excludes regional feeder services rose 5.5-6.5 per cent in August, and traffic was 12 per cent higher in terms of revenue passenger miles.

Merrill Lynch had forecast an increase of 7-8 per cent, and while this was in line with the performance excluding "security concerns", the carrier had consistently beaten estimates in recent months.

Continental is one of the few US carriers to release monthly revenue statistics broken down by region.

Its report will raise concerns about the sustainability of the industry's financial recovery, as airlines enter the slower travel season following the Labour Day holiday.

All the major US carriers reported higher operating profits during the second quarteras a series of fare increases and continued cost-cutting helped to counter higher fuel prices.

The higher fares have been helped by capacity cuts over the past two years, but year-on-year comparisons will become tougher for airlines to match after August, noted Merrill Lynch.

Load-Date: September 3, 2006

Hello? Oh hi darling, I'm on the ship

FT.com

1 September 2006 Friday 7:05:37 PM GMT

FINANCIAL TIMES

Length: 389 words

Byline: Paul Taylor in New York

Body

Taking a cruise used to be one of the few ways for travellers to "get away from it all", blissfully out of telephonic reach except in an emergency - until the ship docked in port. Not so today.

Cingular Wireless, the biggest US mobile carrier, is busy wiring many of the world's biggest cruise ships with the equipment needed to make and receive mobile phone calls, send text messages or check e-mail using passengers' own handsets.

The news comes only days after Ryanair, the cut-price airline, said it would equip its fleet of aircraft with an onboard mobile service by next year.

Cingular, through its Wireless Maritime Services joint venture with Maritime Telecommunications Network, is rapidly cornering the expanding cruise ship mobile telephony market signing up many of the biggest cruise ship lines including Carnival Cruise Lines, Norwegian and Royal Caribbean.

WMS already provides cellular service for eight cruise lines and has roaming agreements in place with over 300 carriers, both GSM and rival CDMA carriers, in over 180 countries.

That means in most cases passengers who bring their own mobile phones or BlackBerrys can use them on board paying the same sort of roaming fees that they would if they were visiting a foreign country.

"A year ago we had seven ships and now we have 31 ships fitted out," said Leighton Carroll, chief executive of the WMS joint venture. "By the end of this year it will be 50 plus." And usage is also soaring up 1,000 per cent over the past year, according to Mr Carroll.

"Consumers view cell phones as a necessity in today's world," said Bob Dickenson, Carnival's chief executive in June when the cruse ship line signed a deal with WMS covering Carnival's fleet of 21 vessels.

Carnival currently also has three new ships on order - including the 110,000-ton Carnival Freedom, due for delivery in February, which will also be fitted with the gear needed to send and receive wireless voice and data calls.

New cruise ships like the Carnival Freedom are typically built with the sophisticated electronics needed to turn them into floating mobile phone cell sites already installed, but WMS also retrofits ships usually when they are in port.

Calls to and from ships are routed via Maritime Telecommunications Network's satellites and through the WMS shore-based routers to the wireless networks.

Load-Date: September 1, 2006

BAA rejects calls for break-up

FT.com

31 August 2006 Thursday 2:58:01 PM GMT

FINANCIAL TIMES

Length: 626 words

Byline: Kevin Done, Aerospace Correspondent

Body

BAA, the UK airports operator that is fighting to maintain its monopoly over the three main London airports, on Thursday dismissed recent calls from its leading customers including British Airways and Ryanair for the break-up of the group.

In evidence submitted to the Office of Fair Trading, BAA argued that a more fragmented ownership structure would undermine vitally needed investment in airport capacity.

Stephen Nelson, BAA's chief executive, said that the airlines' calls for both a break-up of BAA and for heavier price regulation would be a "poisonous cocktail for consumers".

"I fully understand why airlines like British Airways and Ryanair want to weaken airport operators and achieve greater control over prices and investment at the airports, where they hold such powerful positions themselves, but the job of the competition authorities is to protect the longer term interests of all consumers," Mr Nelson said.

"The biggest problem facing UK air travellers is the shortage of airport capacity, especially in South East England. Failure to build new runway capacity will lead to gridlock, disappointed customers and significant loss to the national economy."

BAA said the threat to investment from a break-up would "outweigh any possible benefits to consumers in terms of choice, price or quality of service".

The group's UK airports were already among the cheapest in Europe in terms of landing charges, which were heavily subsidised by BAA's retail activities and regulated by the Civil Aviation Authority.

BAA is currently planning to invest GBP9.5bn in its three London airports in the next 10 years, chiefly at Heathrow and Stansted.

It is nearing the completion of the first phase of the GBP4.2bn project to build a fifth terminal at Heathrow, which will create capacity to handle around 35m passengers a year when it starts operations at the end of March 2008.

The group is also aiming to seek planning permission early next year for the GBP1bn-GBP1.5bn Heathrow East project, which would produce a new terminal to replace the existing Terminals 1 and 2.

At Stansted, BAA is pursuing the GBP2.7bn project recommended by the government to build a second runway and terminal, which would triple the present capacity of London's third airport to around 76m passengers a year, more than the current size of Heathrow.

BAA has said previously that the earliest the first phase could be operational would be the end of 2013. A planning application is due to be submitted in summer 2007.

Ferrovial, the Spanish construction, infrastructure and services group that acquired BAA earlier this year, has said it is committed to the expansion plan, but it is reviewing the scale of the planned spending at Stansted.

Last week British Airways called for the first time for a break-up of the BAA London airports monopoly.

Willie Walsh, BA's chief executive, said that Heathrow and Stansted, the two airports identified by the government for expansion with the building of additional runways, should not be owned by the same company.

BA urged the OFT to make a reference to the Competition Commission for a full investigation of the UK airports market because of its "concerns about current airport regulation and ownership".

It said that in the event of a break-up there would still need to be "strong regulation to protect users against monopoly power in particular at Heathrow and Gatwick".

Mr Nelson said: "We are not saying that the current situation is perfect and we welcome the OFT's review, so long as it is wide-ranging and evidence-based. The OFT needs to consider regulation as well as ownership structures.

"The evidence suggests that BAA has done a good job since privatisation, in terms of security and safety; capacity; quality of service and price."

Load-Date: August 31, 2006

Ryanair to allow mobile phone calls

FT.com

30 August 2006 Wednesday 7:37:44 PM GMT

Length: 285 words

Byline: Kevin Done and Tom Braithwaite in London

Body

The widespread use of mobile telephones on passenger aircraft could become a reality next year, after Ryanair, the European low-cost carrier, announced plans to equip its fleet with an onboard mobile service.

"If you want a quiet flight, use another airline," said Michael O'Leary, chief executive. "Ryanair is noisy, full and we are always trying to sell you something."

The airline announced a deal with OnAirto equip its fleet of Boeing 737-800s over the next two years, with the first calls being made in July next year subject to regulatory approval.

Air France plans to launch the first trial on a single aircraft in February and further trials will be made by BMI British Midland and TAP Air Portugal in the second quarter of next year. A rival system developed by AeroMobile is to be given a three-month trial by Qantas on a Boeing 767 on domestic routes in Australia early next year.

Fliers worried about a lack of sleep on long-haul flights can rest easy at least for part of the time. Pilots can control the service and are likely to switch to "silent" mode during night flights blocking calls but allowing SMS messages or e-mails.

The systems are being launched as Boeing prepares to abandon Connexion, its own loss-making in-flight service, which provides internet and e-mails but not mobile telephony.

In-flight phone services using handsets fixed in the cabin have failed to take off, with high prices a deterrent. Verizon Communications said in June it would cancel its service, which cost $3.99 to connect and $4.99 per minute for a fixed-line call.

Ryanair to allow mobile phone calls

Ryanair will receive commission payments based on the level of phone usage and said it planned to use handsets as a platform for in-flight gambling.

Load-Date: August 30, 2006

Ryanair to offer in-flight mobile service

FT.com

30 August 2006 Wednesday 4:14:32 PM GMT

FINANCIAL TIMES

Length: 413 words

Byline: Kevin Done, Aerospace Correspondent

Body

The inflight use of mobile phones is expected to begin next year in Europe following the decision by Ryanair, Europe's largest low cost airline, to launch the service from next July.

George Cooper, chief executive of OnAir, the mobile communications provider to the airline, said he was confident that regulatory approval from telecoms and aviation authorities would be given during the first half of 2007.

The first trial of the OnAir system on a single aircraft will be started by Air France in February next year and further trials will be made by BMI British Midland and TAP Air Portugal in the second quarter of 2007. A rival system developed by AeroMobile is to be given a three-month trial by Qantas on a Boeing 767 operating on domestic routes in Australia starting in early 2007.

Michael O'Leary, Ryanair chief executive, said the airline had reached agreement with OnAir to equip its entire fleet of Boeing 737-800s, which will total 134 aircraft by next March and is planned to rise to 234 aircraft by 2012.

Subject to regulatory approval Ryanair said it planned to introduce the service gradually starting from next July on aircraft flying from its biggest base at London Stansted airport. Around 50 aircraft would have the necessary equipment installed during the second half of 2007 with the remainder to be equipped during 2008.

Passengers would be able to make and receive phone calls and send text messages as well to send and receive emails through devices such as Blackberrys and Treos. In common with other electronic equipment mobile phone use will not be allowed during take off and landing and will only be allowed when the aircraft is flying above an altitude of 10,000 feet.

Phone charges for passengers will be the same as current international roaming rates.

Ryanair said that it would receive commission payments based on the level of phone usage, which would boost its ancillary revenues which it already received from other sources such as commission earnings on hotel, car rental and travel insurance booked via its ryanair.com website.

The communications from the aircraft will be via satellite links provided by Inmarsat and a ground network to be provided by Monaco Telecom, a partner of OnAir.

OnAir is a joint venture between Sita, the aviation communications group, and Airbus, the European aircraft maker, while AeroMobile is a joint venture between Arinc, the US aviation communications provider, and Telenor, the Norwegian telecommunciations group.

Load-Date: August 30, 2006

EasyJet taking aim at Spain

FT.com

28 August 2006 Monday 7:32:26 PM GMT

Length: 694 words

Byline: Kevin Done

Body

Spain is becoming one of the main battlegrounds for the low-cost carriers after the UK and Germany.

EasyJet, the number two low-cost airline in Europe, is intensifying its challenge to the European flag-carriers with the announcement last week that it plans to open its first base in Spain at Madrid's Barajas airport.

Both EasyJet and Ireland's Ryanair are carving out large shares of the European aviation market with the opening of a growing number of strategic operating bases around continental Europe with the aim of becoming the largest short-haul carriers in Europe by the end of the decade.

EasyJet's move to increase its presence in Madrid, including the launch of its first Spanish domestic routes, will add to fierce competition in one of Europe's biggest aviation markets.

Ryanair already has a fast-growing base at Barcelona-Gerona and has also been awarded take-off and landing slots for possible expansion at Madrid Barajas.

EasyJet said it would open its Madrid base next February, initially with three or four locally based aircraft.

It is already the fourth- largest operator at Barajas after Iberia; Spanair, a subsidiary of SAS Scandinavian Airlines; and Air Europa.

It currently operates nine routes to Madrid, carrying 900,000 passengers last year.

Spain is its second-largest market after the UK with 7.5m passengers carried on its Spanish routes last year, which include 11 Spanish airports.

EasyJet taking aim at Spain

Andy Harrison, EasyJet chief executive, said Spain had "excellent opportunities for growth" and said Madrid was "still under-served by low fares airlines".

There is growing competition, however.

Vueling, the Spanish low- cost start-up that began flying in July 2004, is developing bases in both Madrid and Barcelona. It hopes to have a fleet of 16 180-seat Airbus A320s by the end of 2006, rising to 25 in 2007.

The airline, which is owned 40 per cent by Apax Partners, the UK private equity group, and 30 per cent by Inversiones Hemisferio, a subsidiary of Grupo Planeta, the Spanish media group, is planning an initial public offering in late 2007 or early 2008.

A seven per cent stake in Vueling is held by VA Investors, led by Dave Barger, president of JetBlue Airways, the US low-cost carrier.

The opening of a base by EasyJet in Madrid, its 17th in Europe, will add tough competition for Iberia, the Spanish flag-carrier, which is already facing heavypressure from other low-cost carriers across Spain.

Iberia, which has itself been cutting lossmaking short-haul routes, is responding to the competitive threat by leading the start-up of another low-cost carrier from a base in Barcelona, which is due to start flying in October. It will trade under the brand name, Clickair. Iberia holds an initial 20 per cent stake but has an option to raise this later.

The battle for the Spanish market has also been joined by Spanair, which is aiming to increase its passenger volumes by 50 per cent by 2010 to 15m with the focus of expansion on creating a Barcelona hub.

EasyJet's pan-European expansion strategy has previously led to it opening bases in Germany in Berlin and Dortmund, in Switzerland at Geneva and Basel, as well as in Paris and earlier this year at Milan Malpensa airport. In addition, it has has 10 operating bases in the UK led by the three London airports Gatwick, Luton and Stansted. It handled 32.4m passengers in the 12 months to July compared with 37.6m at Ryanair.

The Irish carrier has 16 European bases, including eight in continental Europe, and is planning to announce two more later this year for launch in the first half of 2007.

The airlines are expanding in Spain to take advantage of the big increase of capacity at Madrid's Barajas airport, which has doubled the number of runways from two to four and has opened a new fourth terminal. The facilities are part of a 6bn (GBP4bn) 10-year programme to overhaul the airport, which will allow it to increase the passenger capacity by 68 per cent to about 70m a year.

The two new 3.5km runways will allow the airport to deal with up to 120 aircraft movements an hour. In a first step, capacity is being raised in the coming winter season from 78 to 90 take-offs and landings an hour.

Load-Date: August 28, 2006

Aer Lingus

FT.com

25 August 2006 Friday 1:33:59 PM GMT

Length: 306 words

Body

Air Berlin's original plan to list came a cropper because it thought it should be priced like EasyJet. Aer Lingus, about to launch its IPO, seems unlikely to suffer from such delusions of grandeur.

The Irish carrier is well used to unfavourable financial comparisons with the low-cost carriers. Prodded by the example of Ryanair, its larger domestic rival, and near-bankruptcy after 9/11, Aer Lingus has developed a workable business model which aims to combine competitively priced fares with better than low-cost service. It is now hoping, fuelled by new capital, to spread its wings a little further.

Dermot Mannion, chief executive, wants to add long-haul destinations, particularly in the US, and to turn Dublin Airport into a mini-hub. Dublin enjoys a unique advantage with Shannon, it is the only European airport to offer travellers US immigration pre-clearance. But the airport needs massive upgrading, and attempts to turn other airports, like Manchester, into mini-hubs, have foundered in the past.

Aer Lingus's immediate challenge is to continue to reduce costs, the main determinant of its ability to compete with Ryanair. Although the final i has not been dotted, Mr Mannion appears to have reached a good agreement with unions over pensions and wages. Nevertheless, average costs per employee are still high compared with competitors, and Aer Lingus will struggle to bring them down.

A multiple of 5.2 times prospective earnings before interest, tax, depreciation, amortisation and leases the average for EU network airlines suggests an enterprise value of about 950m. With the government and employees retaining 40 per cent, and a payment to the pension fund of 100m, Mr Mannion could have 400m of new money to play with. Hopefully the proceeds of a realistically priced IPO won't be wasted on unrealistic pipe dreams.

Load-Date: August 25, 2006

Aer Lingus

British Airways calls for BAA break-up

FT.com

24 August 2006 Thursday 5:24:52 PM GMT

Length: 611 words

Byline: Kevin Done, Aerospace Correspondent

Body

British Airways called for the first time on Thursday for the break-up of the BAA London airports monopoly.

Willie Walsh, BA chief executive, said that Heathrow and Stansted, the two airports identified by the government for expansion with the building of additional runways, should not be owned by the same company.

The call came only two weeks after operations at London Heathrow, British Airways' global hub, were thrown into turmoil by BAA's inability to respond quickly to the government demand for heightened security procedures at all UK airports.

Security was raised significantly early on August 10 in the wake of the foiling of the alleged plot to blow up several passenger jets on transatlantic routes out of Heathrow, which led to chaos at the airport, with hundreds of flights cancelled, long delays and thousands of bags misplaced.

Mr Walsh said the call for the break-up of the BAA monopoly was in "no way influenced" by recent security events but was a strategic response to the study launched by the Office of Fair Trading into the UK airports market in June.

However, Mr Walsh was fiercely critical of BAA's operations at Heathrow.

He said on Thursday there was evidence of BAA's poor performance "well before August 10. BAA cannot use the sudden change (in security procedures) as the reason for its performance. They could and should have been better."

Mr Walsh said "If BAA had responded faster, a lot of disruption could have been avoided. If you don't get moving first thing at Heathrow, it leads to operational chaos. I believe there was enough time. Other airports around the UK responded."

He said that the airline was "keeping all its options open" regarding legal action against BAA and a demand for compensation.

BA urged the OFT to refer the issue to the Competition Commission to hold a full investigation into the UK airports market because of its "concerns about current airport regulation and ownership".

In the event of a break-up there would still need to be "strong regulation to protect users against monopoly power in particular at Heathrow and Gatwick".

BA also proposed competitive tendering for a wider range of services at London airports including the provision of IT systems.

Pressure for a reference to the Commission is growing across the airline industry. Ireland's Ryanair, the biggest low cost carrier in Europe, also called on Thursday for a break-up of the BAA monopoly.

EasyJet, the UK low cost airline, said that UK airports should be subject to "strong price regulation to stop them abusing their monopoly positions".

It supported the break-up of BAA, but said the primary focus of the investigation should be tougher regulation.

BAA, the world's biggest airports group, was taken over by a consortium led by Ferrovial, the Spanish construction, infrastructure and services group, in June.

It controls seven airports in the UK, which handled 145m passengers in the year to March. Last year it accounted for 63 per cent of all UK air passengers. It includes the three London airports Heathrow, Gatwick and Stansted, three Scottish airports Glasgow, Edinbugh and Aberdeen, as well as Southampton.

The OFT study is being concentrated on the south-east of England, where BAA accounted for 92 per cent of all the passengers using London airports in 2005, and on Scotland where its share was 86 per cent.

Remedies following any eventual market investigation by the Competition Commission could include "divestment of airports, airport runways or terminals."

The OFT expects to publish the findings of its initial study in late 2006, which is expected to be followed by a reference to the Competition Commission for a full investigation.

Load-Date: August 24, 2006

Turn again, Dick? Be careful where

FT.com

22 August 2006 Tuesday 9:02:23 PM GMT

FINANCIAL TIMES

Length: 310 words

Byline: Clay Harris

Body

Motorists in the City are likely to find it harder to avoid fines for traffic offences, even if none will have to pay for using a route for use by tramcars only (right).

That's one of 21 offences decriminalised under the London Local Authorities and Transport for London Act. From September 4, the Corporation of London will have the power to issue penalty charge notices of GBP100, reduced to GBP50 for payment within 14 days.

Enforcement will be based on a network of 85 CCTV cameras monitoring streets in the Square Mile.

Ooh, Mr O'Leery!

Ryanair, campaigning against new security rules, has an idea about how to "put the fun back into flying".

Stupid cupid

Music may be the food of love, but what possessed the BPI to organise the next Brit awards for Valentine's Day? The annual popfest is usually an enjoyable night out but Earls Court is not the obvious choice for a romantic dinner a deux.

The explanation by BPI chairman Peter Jamieson sounds distinctly lame "If Valentine's celebrates love and the Brits stands for great music, what better way to celebrate Britain's love for great music than to put the two of them together " Yuck.

Worse, though, is ITV's jargon-filled justification for screening more than five hours of Brits build-up programming and then screening the show live, rather than with the usual delay for deleting expletives. "The new ITV stands for must-see appoint-to-view television," says Guy Freeman, the broadcaster's controller of music and events." Mudlark pleads a prior appointment.

They'll pick the mix

Mollie Dent-Brocklehurst, director of the Gagosian Gallery, and realist painter Anthony Green RA are among the six selectors for the 2006 ING Discerning Eye exhibition, a competition for developing British artists, such as Edmund Chamberlain, whose unpeopled Brixton Street (below), won the sponsor's prize in 2005.

mudlark@ft.com

Load-Date: August 22, 2006

Ask the experts Business travel

FT.com

21 August 2006 Monday 2:07:14 PM GMT

FINANCIAL TIMES

Length: 2222 words

Body

Stringent security measures have been imposed on airline passengers against the threat of a terrorist attack with more delays and flight cancellations expected despite the decision to downgrade the UK terrorism threat level from "critical" to "severe".

Given the ongoing terrorist threat and tighter airport security measures, what are the implications for the future of business travel?

Michael O'Leary, the outspoken chief executive of Ryanair (above right), Neil Thompson (above far left), the operational director for red24, the global security agency, and David Hill (above inner left), senior security consultant at red24, answer your questions below.

--- Question ---

How can the SIZE of bag, currently so small as to be of great inconvenience to business passengers, make any difference to security? Why is that not a matter for airlines to decide?

Andrew Mayo, St Albans

Michael O'Leary: Andrew, it is a pity that the Government doesn't apply your common sense. The size of the bag makes no difference whatsoever to security. A large brief case is no more or less secure than the normal IATA approved carry on bag. It is this illogical and totally ineffective security restriction that is handing the extremists and unwarranted and undeserved victory.

--- Question ---

Surely Ryanair have a point? Although minimum levels of checks may be a matter for government, the best trade-off between convenience of boarding and risk of death could be set by the market. Why can't airlines compete on this, just as car manfacturers can?

Ian Slater, Stafford

red24: In the manufacture of cars there are set safety standards that must be present, and it is then up to manufacturers whether they offer more advanced safety features as unique selling points. I think something similar could work for airlines, but only if there is a regulated minimum standard of acceptable safety that all airlines must adhere to.

If an airline wants to go above that standard, that is entirely up to them, same as the car market. For example, El Al probably has the most stringent security checks in the world, right from when passengers approach the airport terminal, to when they are actually seated on the aircraft. That is a decision that El Al have taken for the security of their passengers.

Michael O'Leary: Ian, ryanair's point is not that there should be a minimum level of security checks, but rather that the UK Government should return the security checks at UK airports to the same "normal" high standard as presently applies at all other international IATA airports. It is these additional restrictions which the Government introduced last week which don't add anything to security and are just handing the extremists and lunatics a victory.

--- Question ---

Why is there so much disparity between security regulations at different airports? A colleague returned from the US to the UK this morning & was allowed to carry on hand luggage that met IATA standards, but on the way back she'd have to scale down to a smaller size bag, in line with BAA guidance. Surely there's a need for at least some similar standards between the US & UK, let alone other airports worldwide? Do you think there will ever be a global standard? If not, why not?

Hilary Hayman, London

Michael O'Leary: Hilary, it is the UK Government requirements that are out of line (and ineffective) with the IATA world standards. The only disparity now exists for passengers traveling on UK outbound flights but as you rightly point out inbound flights to the UK operate to the normal IATA standards. This highlights how stupid and ineffective the so called "additional security measures" required by the UK Government since last Monday, are. Of course if these requirements really did add to passenger security they would of course be applied to all UK inbound flights, the London underground and Eurotunnel. The sooner the Government gets back to normality at the British airports, the sooner we will defeat these terrorists and extremists.

--- Question ---

Do you think we are moving into towards a scenario where business travellers might start moving to smaller charter flights shared between companies? Instead of 'retail' flights? Given that in each key metropolitan there are enough regular business travellers per company.

Vikram, Dublin

red24: In the last couple of months, I've seen charter companies extolling the virtues of business travel, saying it's cost effective to take business travellers from a small regional airport to their destination abroad, so this does seem to be more of a viable alternative than previously, and it'll be interesting to see how take-up develops.

From a security perspective though, we wouldn't recommend a whole load of company executives from the same company travelling together. If they do, and there is an accident, you could end up with a scenario where the entire board of a company disappears in one go. This would obviously have significant repercussions for the business and its share price.

On a more general note, I think that co-ordination and logistics of different companies sharing the smaller chartered flights is likely to prove difficult.

Michael O'Leary: Vikram, no. Smaller charter flights will never serve the needs of business passengers who generally require high frequencies and timetable flexibility. Small charter flights won't provide this. What we urgently need for both business and ordinary passengers is to return UK airport security to normal, in the same way as the UK Government successfully restored the London Underground to normal two days after the 7/7 outrage.

--- Question ---

For Michael O'Leary: with the new security measures threatening to undermine key elements of your business model, how can you go about reassuring investors about your company's future prospects?

Ben Bland, London

Michael O'Leary: Ben, the new security measures don't threaten or affect in any way Ryanair's business model. The only thing they affect is the UK Government's credibility. If toothpaste and women's toiletries now threaten our safety and security then why is the Government allowing them to be carried on the London underground or on Eurotunnel? The fact remains that UK airport and airline security - prior to last Thursday - has successfully prevented any terrorist attack for over 25 years, and the new measures such as limiting carry on luggage or confiscating bottled water and make-up at airport security (only to allow passengers to buy these again in duty free and carry them on board an aircraft) will not have any effect on the security of British airports, airlines or passengers.

If the Government really felt that these measures added to security they would be asking the airlines to apply the same measures on all inbound flights to the UK as well as on the underground and the Eurotunnel.

--- Question ---

Isn't this a complete over-reaction to a weak threat, with the outcome being that the terrorists have managed to cause more mayhem and destruction than they ever would have got away with in the first place?

Michael Ellis

red24: I do not think this was a weak threat by the terrorists as only one person has been released and in excess of 20 are still in custody, which to me suggests the anti-terrorism branch and security services have good evidence against these people.

I think the mayhem is being caused by BAA not having sufficient business continuity processes to fall back on. I believe people do not mind being inconvenienced if there is a good infrastructure behind it. When I flew out of Heathrow this weekend, there were 2 x-ray machines in use, while another 2 were not being used, resulting in an hour's wait between immigration and the search area.

It appears to me that BAA does not have sufficient resources, and this is the fundamental reason for passenger delay.

Michael O'Leary: Michael, absolutely I couldn't agree more with you. Until the UK Government returns UK airport security to normal IATA standards, then sadly, we will have handed the extremists an undeserved victory.

--- Question ---

What possible justification is there for limiting the size of carry on bags? I could live with the restrictions on liquids, etc, being prepared to buy at destination. But the limits to carry on bag sizes mean that I will now to put my holdall in the hold. And travelling as I do from MR through HRW/GW to destinations in M East, E Europe and Africa will mean that I will now often be arriving to find my holdall gone astray, as most luggage seems to when faced with a quick transfer from a domestic to an international flight at either HRW or GW. You have to ask if there is another agenda here, which is to make air travel more difficult and thereby cut down on passenger numbers.

Howard Shenton

Michael O'Leary: Howard, limiting the size of carry on bags to the normal IATA security dimensions makes sense as it prevents passengers trying to bring large suit cases either through security or on board. However the additional restrictions imposed by the UK Government last week which further reduces this to large brief cases on out bound flights from the UK makes no difference to security whatsoever. The UK Government should immediately restore the normal IATA carry on luggage limits to outbound flights, particularly when these limits currently apply to all inbound flights to the UK. This ineffective and nonsensical hand luggage restriction on UK outbound flights only serves to hand the extremists an undeserved victory.

red24: As far as I can tell, there is no reasonable justification for reducing the size of carry on bags. I flew from Heathrow to Cape Town yesterday, and although I was pleased that I was allowed to take my laptop and phone with me on the plane, I could not understand why my carry on luggage was limited to a certain size.

The x-ray machines they used to scan my laptop bag were the same ones that are always used and hence it's not the case that they are now using new equipment that can only deal with small bags. In addition, we've been told that they're specifically worried about bottles of liquid, and things like shampoo etc don't tend to be very big, so I can't see how the space limitations have a bearing on this threat.

--- Question ---

If we have to check in laptops (no carry on rule) without locking the luggage, how will airlines think about protecting business information on those laptops in the event of theft (or loss)?

Patrick Ng, Houston, Texas

Michael O'Leary: Patrick, there is no reason to check in lap tops or mobile phones, and the Government's decision to allow passengers to carry these onboard from Monday last was one of the few common sense security measures taken by the Government last week.

red24:: IT and security staff need to work together to protect business data, both within the company, and when it's being transported via laptops or other mobile devices. Above all, they need to communicate with employees to ensure they understand the risks and have been trained on any security measures they need to take in terms of using specialist tools etc. These guidelines need to encompass all travelling employees, contractors and third parties who are in possession of company confidential or sensitive information.

If the laptop is not critical for the traveller, companies should think about arranging a substitute at the destination, or asking employees not to travel with these devices. In many instances this may not be practical and businesses need to employ measures such as encryption tools, laptops that incorporate biometric scanners, regular password changes, etc. The main thing is that the company needs to be aware of what is on the laptop, so if it does go missing they will at least understand the risk they may be facing, and so address it in an appropriate way.

Businesses must make sure that those travelling are fully aware of how sensitive the data they're carrying is and the measures that are in place to protect it. Ideally, strategic information that can impact the way the business operates will not be carried on a laptop and will be protected so that it cannot be accessed from a stolen laptop in any way. Information that is sensitive, but not as strategically important, could be carried on a laptop, though in the short-term whilst laptops are banned on planes, perhaps business travellers could use memory sticks instead? We recommend checking with specific airlines for the policy on taking memory sticks onto planes.

Background

In depth - London terror alert

Forum - Is Ryanair right? Should air security return to previous levels?

What you can take on board

Load-Date: August 21, 2006

Ask the experts: Business travel

FT.com

21 August 2006 Monday 3:06:23 PM GMT

Length: 2882 words

Body

Stringent security measures have been imposed on airline passengers against the threat of a terrorist attack with more delays and flight cancellations expected despite the decision to downgrade the UK terrorism threat level from "critical" to "severe".

Given the ongoing terrorist threat and tighter airport security measures, what are the implications for the future of business travel?

Michael O'Leary, the outspoken chief executive of Ryanair (above right), Neil Thompson (above far left), the operational director for red24, the global security agency, and David Hill (above inner left), senior security consultant at red24, answer your questions below.

--- Question ---

What do you think of the visible police presence in the airports? I am convinced that visible officers are beneficial, but remain extremely unpleased to see the police patroling with assault rifles. I believe these weapons make no tactical sense whatsoever and would dread to imagine what destruction they could cause in an environment as congested as an airport. Handguns are enough. Do you think these weapons are justified?

William Read, London

Michael O'Leary: William, we welcome the visible police presence at airports. We have no difficulty with police patrolling with assault rifles, something you will see at many other international airports as well. The presence of these police officers with rifles at the UK airports makes a nonsense of the Government's claim last week that they did not want to put in extra police and army personnel to provide additional security because their presence might "upset" ordinary passengers. We believe their presence would have reassured ordinary passengers as well as preventing the long queues at security and the consequent delays and cancellations which thousands of British passengers suffered that weekend.

red24: The visible presence of armed police is necessary to make the traveller more comfortable and to act as a deterrent to the terrorist and the suicide bomber. The particular weapon carried by British police is more flexible compared to a hand gun for use in varied scenarios. We understand that these assault rifles are carried on single-shot mode as opposed to fully automatic.

The police have a very difficult job to do at international airports as they members of the public must feel they are approachable, but they also have to be effective in combating any incidents that may occur. That is why police officers are used rather than the military because they are trained to perform in this dual role.

-- Question --

How can the SIZE of bag, currently so small as to be of great inconvenience to business passengers, make any difference to security? Why is that not a matter for airlines to decide?

Andrew Mayo, St Albans

Michael O'Leary: Andrew, it is a pity that the Government doesn't apply your common sense. The size of the bag makes no difference whatsoever to security. A large brief case is no more or less secure than the normal IATA approved carry on bag. It is this illogical and totally ineffective security restriction that is handing the extremists and unwarranted and undeserved victory.

red24: As a regular business traveller myself, I couldn't agree more that this is a huge inconvenience. On a flight from Heathrow to Cape Town this weekend my laptop and personal papers only just fitted in the tray used for measuring bags, so I wasn't allowed to carry any overnight clothes with me for my business meeting today. Like many business travellers, I was short of time, and couldn't really afford to be waiting at the carousel to pick up my luggage in the airport.

With regards to the security implications, the size of the bag has no obvious bearing on the security threat, particularly given that bags aren't even being searched, so it can't be a time saving measure. I agree that it looks to be a matter for airlines to decide, however as the authorities have stepped in, perhaps we should assume there is reasoning there, and all will become clear in time?

-- Question --

Surely Ryanair have a point? Although minimum levels of checks may be a matter for government, the best trade-off between convenience of boarding and risk of death could be set by the market. Why can't airlines compete on this, just as car manfacturers can?

Ian Slater, Stafford

red24: In the manufacture of cars there are set safety standards that must be present, and it is then up to manufacturers whether they offer more advanced safety features as unique selling points. I think something similar could work for airlines, but only if there is a regulated minimum standard of acceptable safety that all airlines must adhere to.

If an airline wants to go above that standard, that is entirely up to them, same as the car market. For example, El Al probably has the most stringent security checks in the world, right from when passengers approach the airport terminal, to when they are actually seated on the aircraft. That is a decision that El Al have taken for the security of their passengers.

Michael O'Leary: Ian, Ryanair's point is not that there should be a minimum level of security checks, but rather that the UK Government should return the security checks at UK airports to the same "normal" high standard as presently applies at all other international IATA airports. It is these additional restrictions which the Government introduced last week which don't add anything to security and are just handing the extremists and lunatics a victory.

-- Question --

Why is there so much disparity between security regulations at different airports? A colleague returned from the US to the UK this morning and was allowed to carry on hand luggage that met IATA standards, but on the way back she'd have to scale down to a smaller size bag, in line with BAA guidance. Surely there's a need for at least some similar standards between the US and UK, let alone other airports worldwide? Do you think there will ever be a global standard? If not, why not?

Hilary Hayman, London

Michael O'Leary: Hilary, it is the UK Government requirements that are out of line (and ineffective) with the IATA world standards. The only disparity now exists for passengers traveling on UK outbound flights but as you rightly point out inbound flights to the UK operate to the normal IATA standards. This highlights how stupid and ineffective the so called "additional security measures" required by the UK Government since last Monday, are. Of course if these requirements really did add to passenger security they would of course be applied to all UK inbound flights, the London underground and Eurotunnel. The sooner the Government gets back to normality at the British airports, the sooner we will defeat these terrorists and extremists.

red24: There are too many factors to be considered for a global security standard to work. You must take into consideration that countries face and respond to threats differently. The political situation, the infrastructure of the country, the corruption and crime levels, and the terrorist threat all have an impact on the security measures which are put in place at airports.

I have been to a large number of airports where the standard of security has been very poor due to the ineffective management and training of security personnel. There is no way that on a global scale, security personnel could be trained to the same level due to the factors mentioned above. In addition, the equipment used to detect prohibited articles will vary greatly from country to country.

At the present time, Governments cannot even agree on the same terminology for the use of threat levels and will give different advice on their Government websites in respect of country threat assessments. It is unlikely that a global standard for security for airports set by Governments will exist in the near future.

-- Question --

Do you think we are moving into towards a scenario where business travellers might start moving to smaller charter flights shared between companies? Instead of 'retail' flights? Given that in each key metropolitan there are enough regular business travellers per company.

Vikram, Dublin

red24: In the last couple of months, I've seen charter companies extolling the virtues of business travel, saying it's cost effective to take business travellers from a small regional airport to their destination abroad, so this does seem to be more of a viable alternative than previously, and it'll be interesting to see how take-up develops.

From a security perspective though, we wouldn't recommend a whole load of company executives from the same company travelling together. If they do, and there is an accident, you could end up with a scenario where the entire board of a company disappears in one go. This would obviously have significant repercussions for the business and its share price.

On a more general note, I think that co-ordination and logistics of different companies sharing the smaller chartered flights is likely to prove difficult.

Michael O'Leary: Vikram, no. Smaller charter flights will never serve the needs of business passengers who generally require high frequencies and timetable flexibility. Small charter flights won't provide this. What we urgently need for both business and ordinary passengers is to return UK airport security to normal, in the same way as the UK Government successfully restored the London Underground to normal two days after the 7/7 outrage.

-- Question --

For Michael O'Leary: with the new security measures threatening to undermine key elements of your business model, how can you go about reassuring investors about your company's future prospects?

Ben Bland, London

Michael O'Leary: Ben, the new security measures don't threaten or affect in any way Ryanair's business model. The only thing they affect is the UK Government's credibility. If toothpaste and women's toiletries now threaten our safety and security then why is the Government allowing them to be carried on the London underground or on Eurotunnel? The fact remains that UK airport and airline security - prior to last Thursday - has successfully prevented any terrorist attack for over 25 years, and the new measures such as limiting carry on luggage or confiscating bottled water and make-up at airport security (only to allow passengers to buy these again in duty free and carry them on board an aircraft) will not have any effect on the security of British airports, airlines or passengers.

If the Government really felt that these measures added to security they would be asking the airlines to apply the same measures on all inbound flights to the UK as well as on the underground and the Eurotunnel.

-- Question --

Isn't this a complete over-reaction to a weak threat, with the outcome being that the terrorists have managed to cause more mayhem and destruction than they ever would have got away with in the first place?

Michael Ellis

red24: I do not think this was a weak threat by the terrorists as only one person has been released and in excess of 20 are still in custody, which to me suggests the anti-terrorism branch and security services have good evidence against these people.

I think the mayhem is being caused by BAA not having sufficient business continuity processes to fall back on. I believe people do not mind being inconvenienced if there is a good infrastructure behind it. When I flew out of Heathrow this weekend, there were 2 x-ray machines in use, while another 2 were not being used, resulting in an hour's wait between immigration and the search area.

It appears to me that BAA does not have sufficient resources, and this is the fundamental reason for passenger delay.

Michael O'Leary: Michael, absolutely I couldn't agree more with you. Until the UK Government returns UK airport security to normal IATA standards, then sadly, we will have handed the extremists an undeserved victory.

-- Question --

What possible justification is there for limiting the size of carry on bags? I could live with the restrictions on liquids, etc, being prepared to buy at destination. But the limits to carry on bag sizes mean that I will now have to put my holdall in the hold. And travelling as I do from MR through HRW/GW to destinations in the Middle East, eastern Europe and Africa will mean that I will now often be arriving to find my holdall gone astray, as most luggage seems to when faced with a quick transfer from a domestic to an international flight at either Heathrow or Gatwick. You have to ask if there is another agenda here, which is to make air travel more difficult and thereby cut down on passenger numbers.

Ask the experts: Business travel

Howard Shenton

Michael O'Leary: Howard, limiting the size of carry on bags to the normal IATA security dimensions makes sense as it prevents passengers trying to bring large suit cases either through security or on board. However the additional restrictions imposed by the UK government last week which further reduces this to large brief cases on out bound flights from the UK makes no difference to security whatsoever. The UK Government should immediately restore the normal IATA carry on luggage limits to outbound flights, particularly when these limits currently apply to all inbound flights to the UK. This ineffective and nonsensical hand luggage restriction on UK outbound flights only serves to hand the extremists an undeserved victory.

red24: As far as I can tell, there is no reasonable justification for reducing the size of carry on bags. I flew from Heathrow to Cape Town yesterday, and although I was pleased that I was allowed to take my laptop and phone with me on the plane, I could not understand why my carry on luggage was limited to a certain size.

The x-ray machines they used to scan my laptop bag were the same ones that are always used and hence it's not the case that they are now using new equipment that can only deal with small bags. In addition, we've been told that they're specifically worried about bottles of liquid, and things like shampoo etc don't tend to be very big, so I can't see how the space limitations have a bearing on this threat.

--- Question --

If we have to check in laptops (no carry on rule) without locking the luggage, how will airlines think about protecting business information on those laptops in the event of theft (or loss)?

Patrick Ng, Houston, Texas

Michael O'Leary: Patrick, there is no reason to check in lap tops or mobile phones, and the Government's decision to allow passengers to carry these onboard from Monday last was one of the few common sense security measures taken by the Government last week.

red24:: IT and security staff need to work together to protect business data, both within the company, and when it's being transported via laptops or other mobile devices. Above all, they need to communicate with employees to ensure they understand the risks and have been trained on any security measures they need to take in terms of using specialist tools etc. These guidelines need to encompass all travelling employees, contractors and third parties who are in possession of company confidential or sensitive information.

If the laptop is not critical for the traveller, companies should think about arranging a substitute at the destination, or asking employees not to travel with these devices. In many instances this may not be practical and businesses need to employ measures such as encryption tools, laptops that incorporate biometric scanners, regular password changes, etc. The main thing is that the company needs to be aware of what is on the laptop, so if it does go missing they will at least understand the risk they may be facing, and so address it in an appropriate way.

Businesses must make sure that those travelling are fully aware of how sensitive the data they're carrying is and the measures that are in place to protect it. Ideally, strategic information that can impact the way the business operates will not be carried on a laptop and will be protected so that it cannot be accessed from a stolen laptop in any way. Information that is sensitive, but not as strategically important, could be carried on a laptop, though in the short-term whilst laptops are banned on planes, perhaps business travellers could use memory sticks instead? We recommend checking with specific airlines for the policy on taking memory sticks onto planes.

Background

In depth - London terror alert

Forum - Is Ryanair right? Should air security return to previous levels?

What you can take on board

Load-Date: August 21, 2006

Look further east than Belgravia

FT.com

20 August 2006 Sunday 9:16:35 PM GMT

FINANCIAL TIMES

Length: 782 words

Byline: Clay Harris

Body

Speculation on Sunday that Belgravia Group could be set to bid for Sir John Hall's 28.8 per cent stake in Newcastle United struck Mudlark as a bit odd, or perhaps not the full story.

After all, it's not Belgravia's usual sort of investment. The Jersey-based group, with offices in Savile Row, normally focuses on telecommunications and provides services in the construction and hospitality markets. It also manages money for the super-rich.

Football club ownership these days, moreover, tends to be the preserve of individuals with very deep pockets. One person to fit the bill is Sheikh Ahmed bin Saeed al-Maktoum, the ruler of Dubai.

A sports enthusiast and football lover in particular, he has overseen the growth in sports in the Emirates. By the way, he enlisted Belgravia's help in 2004 to buy a stake in Jordan, the Formula One racing team.

How spooky is this?

ArmorGroup, a provider of private security services in Afghanistan and Iraq for the Foreign Office, has well-connected directors, including its chairman, Sir Malcolm Rikfind, former defence secretary, and Stephen Kappes, a former Central Intelligence Agency director of operations.

Its latest recruit has a similar pedigree. Professor Andrew Fulton is joining as corporate strategy adviser.

Fulton's diplomatic career from 1968 to 1999 included postings in Cold war hotspots such as Saigon and east Berlin, as well as Rome, New York, Oslo and Washington. He briefly came to the world's attention in 2000 when allegations that he was a top intelligence officer for MI6 forced him to step down as deputy director of the Lockerbie Trial Briefing Unit at Glasgow University.

The unit provided "impartial and objective" information on Scottish law to the media about the trial of the two Libyans accused of the 1988 bombing. The allegations led to concerns that he could have been been in a position to influence how the trial was reported, to ensure the minimum of criticism for activities of the British and possibly the US intelligence services.

Fulton, a keen golfer and reader of history and biographies, specialised in Russia and eastern Europe. So where might security consulting opportunities Fulton's mandate emerge?

A power of good

Contact from the industry regulator often fills a company with dread. Here's an exception. Western Power Distribution, the electricity distributor in south-west England and south Wales has been given GBP500,000 by Ofgem in recognition of its community activities and for work with vulnerable customers.

WPD's initiatives included support for an anti-bullying booklet for secondary school children and sending apprentices out on environmental projects. It will recycle its windfall into similar schemes.

It's an ill tailwind

While Ryanair's Michael O'Leary has raged with justification about new security restrictions on passengers, airlines and pilots at the UK's main airports, European Business Jets has reaped the benefits.

The Aim-listed private jets operator has had its phone "going non-stop" since the security alerts and subsequent restrictions hit Britain's largest airports. Its business model is 'fractional ownership' of small Cessna Citation CJ1 twin-engine planes a plan similar to that of Netjets, owned by US investor Warren Buffett.

It promises part-owners they can fly anywhere in Europe with 12 hours' notice. By using airports such as Biggin Hill and Cambridge, passengers can avoid some of the hassle affecting fellow executives.

It is now close to getting an aircraft operators' certificate to allow it to operate other private jets.

Shoes that click

Vittorio Radice knows that retailing has its radioactive moments. Perhaps that's why the former Selfridges chief executive is bringing Geiger counters to his current emporium, La Rinascente in Milan.

That's Kurt Geiger, of course, the luxury shoe retailer that walked out of Harrods at the end of 2004 in a GBP47m buy-out backed by Barclays Private Equity.

Its boutique within La Rinascente's flagship store will launch as part of Milan Fashion Week in February.

Doggy don'ts

Mark Brumby, leisure analyst at Oriel Securities, revealed in one of his missives last week that his family's new puppy got out of its cage in the night and "chose to evacuate himself, rather heartily, on the PlayStation".

Brumby said: "Having told the kids time and time again to clear their things off the floor of an evening, that wasn't altogether a bad result. Time will tell if the episode has any beneficial results but, for the foreseeable future, the playing of Championship Manager, and the shouts of victory that accompany Hull City's consistent trouncing of Chelsea, will be associated with the rather strong smell of disinfectant."

mudlark@ft.com

Load-Date: August 20, 2006

This Week in the UK

FT.com

20 August 2006 Sunday 3:14:21 PM GMT

FINANCIAL TIMES

Length: 609 words

Byline: Darren Dodd

Body

Investigations into the alleged aircraft terror plot continue, the Tory leader tries to address the imbalance in his party's Westminster team, and holidaymakers brace themselves for more disruption.

The flow of economic news slows this week following last week's flurry of announcements.

Producer prices come on Tuesday. On Wednesday the CBI issues its monthly industrial trends report. Business investment figures for the second quarter come on Thursday and on Friday the ONS publishes revised GDP data for the second quarter.

This week's house price survey comes from Rightmove on Monday.

Westminster watch

With the green benches empty for the summer recess, the political focus remains on the alleged plot to blow up aircraft flying to the US. John Reid will remain the main face of the government on the issue until Tony Blair returns from his holiday in a week or so.

Police will have to gain court agreement on Monday and Wednesday to continue to detain the 23 suspects in custody.

On Thursday, Ruth Kelly, Secretary of State for Communities and Local Government, launches the Commission on Integration and Cohesion, which aims, among other things, to address the problem of segregation and political extremism in Muslim communities.

This Week in the UK

David Cameron, the Conservative leader, on Monday announces the results of his review into the selection of candidates for parliament. The review is intended to address the low proportion of Tory women and ethnic minority MPs.

Other events

On Monday the Financial Times publishes an exclusive poll looking at work/life balance.

A new postage pricing system is introduced today by Royal Mail. Mail will now be priced in three sizes - letter, large letter and packet.

Also on Monday, the Chartered Institute of Personnel and Development publishes its quarterly Labour Market Outlook survey and a report from Investors in People looks at what workers think of their managers.

The Lancet publishes a report on the threat of counterfeit drugs and Legal and General puts out a study on the true cost of healthcare.

On Tuesday the government publishes immigration statistics for 2005 and asylum figures for the second quarter of this year.

Bill Rammell, Minister for Higher Education and Lifelong Learning, launches the National Student Survey on Wednesday.

Also on Wednesday, the Communication Workers Union announces the result of its ballot of Post Office staff on industrial action over the franchising out of Post Office services.

The travel chaos following the terror alert may have subsided a little but holidaymakers are not out of the woods just yet.

On Thursday we get the ballot results for strikes at BMI Mainline and BMI Regional. Aslef, the train drivers' union, has plans for 24 hour stoppages on the Gatwick Express, starting on Friday. And baggage handlers at Stansted are due to take industrial action at the weekend over pay

Friday is also the deadline given by Michael O'Leary, the Ryanair boss, for the government to get airport security back to normal or face legal action.

The Transport and Salaried Staffs Association is also planning a bus strike in London over the bank holiday weekend that could hit revellers travelling to the Notting Hill carnival in west London.

The nation's GCSE results also arrive on Thursday. And while students reach for the stars, scientists are reaching for the moon with a briefing on the Smart-1 space mission in London.

Saturday sees the start of a week of action from environmental campaigners at the Drax power station.

And Al Gore, former US vice- president, pops up at the Edinburgh Television Festival to talk about his award-winning TV network dedicated to viewer-produced content.

Load-Date: August 20, 2006

Airlines in backlash over security rules

FT.com

19 August 2006 Saturday 1:34:53 AM GMT

FINANCIAL TIMES

Length: 506 words

Byline: FT Reporters

Body

A week after Britain said it had foiled a terrorist plot to blow up US-bound aircraft, the authorities face a backlash against a confusing array of security restrictions that have baffled passengers, upset pilots and drawn legal threats from one airline.

The world's busiest airports are now mostly free of the grim queues and cancelled flights that afflicted thousands of travellers last weekend, but there is no sign of a change to safety measures that Michael O'Leary, chief executive of Ryanair, Europe's biggest low cost airline, on Friday described as "farcical" and "Keystone Cops-like".

Terrorists "must be rolling around the caves in Pakistan laughing at us" he said, as he threatened to sue the UK government for GBP2m (2.9m) in compensation unless normal service resumes within seven days. "We are not in danger of dying at the hands of toiletries," he added.

However, the UK's Department for Transport said it had no immediate plans to end the requirements introduced since last week's terror alert for everyone boarding an aircraft in Britain, including pilots and airline stewards. The measures include searches of every second passenger and no cabin luggage larger than 45cm by 35cm by 16cm.

US-bound passengers are also banned from taking cosmetics, toiletries, liquids or drinks on board aircraft.

The British Airline Pilots Association said it was "illogical and frankly bizarre" to stop pilots taking aboard toothpaste or contact lens fluid, given that they carried thousands of litres of fuel on each flight.

Meanwhile, travellers outside Britain face a range of restrictions that appear to vary according to destination and airline.

Airlines in backlash over security rules

In Germany, Fraport the operating company for Frankfurt, continental Europe's largest airport said the new hand luggage restrictions only applied to US-bound flights and those operated by US airlines.

But in Spain, the airports authority AENA said that restrictions applied to flights to the UK, the US and Puerto Rico. Iberia, the national carrier, was also putting them on flights to Argentina. Flights to all other destinations are unaffected.

Italy and France banned liquids on flights to the UK, the US and Israel. Italy also has the same hand luggage ban as the UK, but Air France does not. The luggage size restriction does not apply to passengers using US airports either, including those flying to the UK.

A spokesman for Britain's Department for Transport said he knew of no plans to co-ordinate security measures internationally. The lack of consistency in advice has caused confusion at many large companies. RBS, the Edinburgh-based banking group, said it had advised staff to cancel all non-essential travel.

"Other companies must have done the same," it said. "We have also seen more use of video-conferencing."

Meanwhile, an Egypt-bound British charter plane was forced to land at Brindisi in southern Italy on Friday after the captain said a note had been found warning there was a bomb on board. It proved to be a false alarm.

Reporting by FT bureaux in Europe, Asia and the US

Load-Date: August 19, 2006

Backlash against airport security confusion

FT.com

18 August 2006 Friday 6:51:08 PM GMT

FINANCIAL TIMES

Length: 596 words

Byline: FT Reporters

Body

A week after Britain claimed to have foiled a terrorist plot to blow up US-bound airplanes, authorities face a rising backlash against a confusing array of security restrictions that have baffled passengers, upset pilots and drawn legal threats from one airline.

Though the world's busiest airports are mostly free of the grim queues and cancelled flights that afflicted thousands of travellers last weekend, there is no sign of a change to safety measures that Michael O'Leary, chief executive of Europe's biggest low cost airline, Ryanair, described on Friday as "farcical and Keystone Cops-like".

Terrorists "must be rolling around the caves in Pakistan laughing at us", Mr O'Leary said, as he threatened to sue the UK government for GBP2m compensation for delays unless normal service resumed within seven days.

"We are not in danger of dying at the hands of toiletries," he added.

However, the UK Department for Transport said it had no immediate plans to end the requirements introduced since last week's terror alert for everyone boarding an aircraft in Britain, including pilots and airline stewards.

The measures include searches of every second passenger and no cabin luggage larger than 45cm by 35cm by 16cm. US-bound passengers face additional bans on taking cosmetics, toiletries, liquids or drinks on board.

The British Airline Pilots Association said on Friday it was "illogical and frankly bizarre" to stop pilots taking toothpaste or contact lens fluid on board, given it was their job to carry thousands of litres of volatile aviation fuel on each flight.

Travellers outside Britain meanwhile, face a confusing set of restrictions that appear to vary according to destination and airline.

In Singapore, for example, passengers heading for the UK or US have been told they face the same bans on large hand luggage and liquids that apply in the UK. But travellers flying from Singapore to cities such as Tokyo or Beijing face no restrictions.

In Europe, despite interior ministers agreeing on Wednesday to support British calls for tighter security standards, a range of differing restrictions were being applied across the continent on Friday.

In Germany, Fraport, the operating company for the Frankfurt airport, continental Europe's largest airport, said hand-luggage restrictions only applied to US-bound flights and those operated by US airlines.

But the Spanish airport authority AENA, said the new restrictions were applying to flights bound to the UK as well as the US and Puerto Rico. Spain's national airline, Iberia, said it was applying the restrictions to flights bound for Argentina as well, but not to any other destination in Europe or elsewhere.

In Italy, the restrictions apply to flights to the UK, the US and Israel, and include the ban on hand luggage bigger than 45cm by 35cm by 16cm.

However, this particular restriction does not apply to passengers using US airports, including those flying to the UK. At Dulles airport in Washington DC on Friday, passengers flying to London were allowed to board with larger hand luggage banned for UK travellers, though liquids and creams were not permitted.

A spokesman for the UK Department for Transport said flights from other countries to the UK were subject to jurisdiction of those countries. He said there were no plans for international coordination of security measures as far as he was aware.

Reporting by James Boxell in London, Tony Barber in Rome, Bertrand Benoit in Berlin, Victoria Burnett in Madrid, Doug Cameron in Chicago, Shawn Donnan and John Burton in Singapore, and Edward Luce in Washington DC

Load-Date: August 18, 2006

Ryanair lambasts BAA's security response

FT.com

15 August 2006 Tuesday 8:42:08 AM GMT

Length: 312 words

Byline: Helen Thomas

Body

Ryanair lashed out at BAA on Tuesday calling the new restrictions on passenger hand baggage "nonsensical" and accusing the airports operator of "paralysing" Stansted airport through its failure to adequately staff its operations there.

One hour after check-in desks opened, BAA Stansted had opened "just four of 14 security points" at the airport, Ryanair claimed in an update for passengers on its website.

An hour later, the budget carrier said, only seven of the 14 were operational.

The ensuing delays and congestion had forced the airline to cancel eight flights on Tuesday morning. Ryanair added: "If this continues there will inevitably be further flight delays and cancellations later today."

A notice on BAA's website confirmed that eight flights had been cancelled at Stansted so far on Tuesday.

Ryanair on Sunday called for the government to revise what it called "heavy-handed" security measures following last week's disclosure of an alleged plot to bomb passenger jets.

Michael O'Leary, chief executive of Ryanair, said on Sunday: "The goal of these terrorists and extremists is not just to kill but also to disrupt the economic life of Britain. The UK Government, by insisting on these heavy handed security measures, is allowing the extremists to achieve many of their objectives."

He called for the number of passengers requiring to be body searched to be reduced from all passengers to the more usual 25 per cent.

Ryanair lambasts BAA's security response

British Airways is said to be seriously considering demanding compensation from BAA. Willie Walsh, chief executive, over the weekend blamed BAA for being unable to cope with the in-creased security and baggage checks imposed after the terror alert last week.

Passengers travelling through Stansted are now permitted to take one small item of hand baggage through security. All liquids, toiletries, cosmetics, drinks and sharp items are still prohibited.

Load-Date: August 15, 2006

UK warned of legal action over air security crackdown

FT.com

15 August 2006 Tuesday 8:18:46 PM GMT

FINANCIAL TIMES

Length: 544 words

Byline: James Boxell in London and Doug Cameron in Chicago

Body

Ryanair, the European low-cost airline, on Tuesday said it was considering legal action against the UK government to force it to abandon the stringent security measures put in place at British airports.

The Irish carrier has been among the most vocal critics of the execution of the new policy, and analysts have said the low-cost segment is the most vulnerable to the changes because of their reliance on high aircraft utilisation and revenue-generating measures such as charging for checked luggage.

However, Ryanair's claims were countered by evidence from AirTran, a US-based low-cost carrier, that the reduced amount of carry-on baggage was speeding up aircraft turnaround times. Atlanta-based AirTran said it was checking in 20 per cent more luggage. Record load factors in the US had led to delays as passengers sought to cram more luggage into overhead bins.

The measures introduced in the UK remain far more stringent than in the US and elsewhere, and government officials have told BAA, the airports operator, they do not envisage fundamental changes to a new regime introduced on Monday that limits carry-on baggage on international flights from the UK to one small cabin bag, less than half the size allowed before last week's terror alerts

UK airport security staff are also body-searching every second passenger, rather than every fourth passenger as before the alerts last Thursday. US policy has been altered to preclude the carriage of any liquids and gels, and all shoes must be removed and screened.

Michael O'Leary, Ryanair's chief executive, accused the UK government of introducing "Walt Disney security measures". "We should go back to the same provisions we had before Thursday," he said. "They were perfectly efficient."

UK warned of legal action over air security crackdown

The Department for Transport said on Tuesday that the new measures were an "appropriate and proportionate" response to advice from the government's Joint Intelligence Committee and that BAA was expected to implement them.

Britain's airports began to return to a semblance of normality yesterday as BAA lifted restrictions on flight numbers. British Airways operated at about 80 per cent of its usual capacity and promised that nine out of 10 of its flights would take off on Tuesday.

BA has threatened to seek compensation from BAA for losses since the alert, estimated at about GBP50m (m$92, 73m) by some analysts. It believes the airport group was not properly prepared for the crisis and did not provide adequate staff cover for body searches. Other airlines are also interested in compensation, but said the first priority was a return to normal service.

The Department of Transport said there was no question of government compensation for airlines and BAA or government funding for the new security measures. "It has always been made clear that the industry pays its security costs. That has always been the way it is run," a spokesman said.

BAA executives believe much of the criticism, led by BA, is aimed at influencing a new investigation by the UK's Office of Fair Trading into BAA's dominant position in London's airports.

One BAA executive said: "They expect us to keep vast numbers of people on tap, but then tell us our operating costs are too high and our return on capital should be slashed to 5.6 per cent."

Load-Date: August 15, 2006

Topless Daily Sport loses its head too

FT.com

15 August 2006 Tuesday 8:32:44 PM GMT

Length: 687 words

Byline: Clay Harris

Body

Trinity Mirror is reviewing all of its titles, the News of the World is under scrutiny over just how it gets its royal scoops and the Sun is waging a bitter price war in Scotland.

On Tuesday came another red top shocker. Tony Livesey, editor-in-chief and managing director of both the Daily Sport and Sunday Sport, has resigned.

"The market's horrendous at the moment," says Livesey, who is off to concentrate on his other role as a BBC Radio Lancashire presenter. "I think the next 20 years are going to be very, very tough for papers," he says.

Livesey, whose favourite headline is said to have been "Shoots you sir" when Gianni Versace was murdered, has reason to be so bearish. The ample charms of the Sport's front pages seem to have waned as similar material has proliferated in lads' mags and on the internet.

The Sunday Sport's circulation for the six months to July was down 22 per cent at 23,000 and the daily's unaudited figures are not much better.

"The fact the Sport has survived for 20 years is an amazing achievement," Livesey adds. Unlike the industry's other 20-year-old, the Independent, it has also made millions for its owners, David and Ralph Gold, he notes.

"I'd kill for The People's circulation," Livesey admits, noting speculation that the tabloid could be a casualty of Trinity Mirror's review.

Without mentioning his proprietors by name, he adds: "I know there are people out there willing to buy it." It sounds like the Golds are just waiting for Sly Bailey's call.

Topless Daily Sport loses its head too

No grease, no pole

At last, there's an honest antidote to job adverts with inflated promises of promotion prospects.

GE Money, looking for staff for its North Tyneside call centre, has taken an entirely different tack in a leaflet distributed to homes in Newcastle, encouraging locals to apply for jobs.

"In my old job there was too much pressure to go for promotion," the leaflet says. "At GE, I'm happy with the role and I know my contribution is valued." Its candour continues with "we know that contact centre work doesn't suit everyone" and "make no mistake, some days can be tough".

But its list of benefits and rewards no mention here of promotion prospects should appeal to those keen on work/life balance, with 23 days' annual leave plus bank holidays, the chance to join one of two pension plans including a final salary scheme, "achievable" bonuses as well as the option to trade salary for childcare vouchers or health insurance.

Gate to Damascus

Mudlark normally is no fan either of Ryanair or of wheeled carry-on bags when used by any able-bodied person under 60.

But the current shambles at British airports may lead to a Damascene conversion, at least concerning Ryanair.

Suddenly Michael O'Leary seems like the most reasonable voice around.

Consider the airline's attack on "nonsensical and ineffective" security rules: "Under the new measures, a large briefcase can now be carried on board as hand luggage but not the normal carry on 'wheelie bag', which is only 25 per cent larger. What security 'expert' decided that a large briefcase was safe as hand luggage but the normal carry-on wheelie bag isn't? This rule is a nonsense."

Who could put it better?

Holte, who goes?

Someone's already updated Charles Krulak's entry on Wikipedia. Late on Tuesday, it noted that the retired US Marine Corps general would join Aston Villa's board after the takeover by Randy Lerner, concluding: "Some believe that this will be his fiercest battle yet."

Counting his cards

It's a fair bet that Aston Villa's affinity credit card won't be changing issuers from the current MBNA. Its chairman is incoming club owner Randy Lerner.

Riders to the sea

Cycling for charity is hardly novel but a project that begins on Saturday will focus on the River Thames and the people who live and work on and beside it, not on the cyclists.

Musa Mansour, a Libyan-born film-maker, and Julia Ramelow will film their five-day trip along the river from Gloucestershire to Southend-on-Sea. The film will be shown at the Mayor's Thames Festival on September 16 and 17. In the meantime, the couple aim to raise at least GBP10,000 for the charity Thames21.

mudlark@ft.com

Load-Date: August 15, 2006

Threat reduced after days of chaos

FT.com

14 August 2006 Monday 9:47:28 AM GMT

Length: 497 words

Byline: Ben Hall and Barney Jopson

Body

The downgrading of the threat from terrorism and the lifting of the ban on hand luggage on flights came after mounting pressure on ministers to deploy troops to speed up checks or to relax stringent security measures imposed on airline passengers after a fourth day of chaos at London's airports.

The controls, which in-cluded a body search for every passenger and a ban on hand luggage, were introduced on Thursday as police foiled an alleged plot to blow up several aircraft en route to the US.

Airlines and BAA the operator of Heathrow, Gatwick and Stansted airports joined MPs to urge the government to intervene to alleviate delays and extensive cancellations, with 200 flights cut on Sunday from Heathrow's schedule alone.

Michael O'Leary, chief executive of Ryanair, called on the government to drop a requirement for every air passenger to be body searched the main cause of a fourth day of delays and cancellations.

"We believe that the body search requirement can and should be revised from 100 per cent to the normal 25 per cent of passengers without in any way diminishing airport security," Mr O'Leary said. "If we don't get back to normality as soon as possible we're going to hand these extremists an unbelievable PR success."

Denis MacShane, a former minister caught up in the disruption over the weekend, urged the government to "get a grip" and send in the army, describing the situation at Heathrow as "reeking of third world chaos and disorganisation".

David Davis, shadow home secretary, also called for troops to be deployed, saying BAA "are clearly not up for this level of scrutiny".

Threat reduced after days of chaos

John Reid, home secretary, conceded that the "terribly inconvenient regime" was "not indefinitely sustainable".

Mr Reid is understood to have persuaded the US Department of Homeland Security to speed up its checks on passenger lists which until yesterday had further delayed transatlantic flights.

As queues of frustrated passengers continued to snake around Heathrow, airport sources confirmed that "central search" the security screens that separate check-in from the departure lounges had become the main bottleneck. All passengers are subject to pat-down searches after passing through a metal detector and are required to remove their shoes for inspection.

BAA said the capacity of the central search areas was the limiting factor. Stansted, for example, had only 14 security gates and although most of them were double-manned delays were extensive. "The workload has effectively magnified four times [because of body searches] and that is unprecedented," said BAA.

The scanning of hold luggage was adding to delays. The requirement for passengers to store in their hold luggage many electronic items normally carried by hand was making screening more difficult and time-consuming.

Early today the Home Office announced that the threat to the UK posed by terrorism was downgraded from critical to severe.

A statement on how this will affect air travel was expected this morning.

Load-Date: August 14, 2006

BAA comes under fire

FT.com

14 August 2006 Monday 6:22:05 PM GMT

Length: 548 words

Byline: James Boxell in London

Body

BAA, the British airports operator, and its airline customers put a weekend of bickering and finger-pointing behind them on Monday as they implemented the government's latest security plan in the wake of last week's disclosure of an alleged plot to bomb passenger jets.

The respite for BAA could be short-lived, however, once Heathrow, the world's busiest international airport, and its other UK airports return to a semblance of normality.

Andrew Fitchie, aviation analyst at Collins Stewart, said: "It is quite clear that BAA was the bottleneck over recent days that caused many passengers to miss their flights. It was the first time I've ever seen the chief executive of British Airways complain publicly about BAA's performance."

BA is seriously considering pushing for compensation from BAA for losses related to the disruption. Collins Stewart estimates the cost to BA is about GBP50m (74.3m, $95.5m) so far and increasing by about GBP5m a day.

But Willie Walsh, BA's chief executive, could also be sabre-rattling as he seeks to improve his bargaining position in the debate over the future of BAA and its ownership of UK airports.

Ferrovial, the Spanish construction, infrastructure and services group, paid GBP10.1bn to acquire BAA in June. Only days after the deal was announced, the Office of Fair Trading announced an investigation into the UK airports market that could lead to a demand for the eventual break-up of the BAA London airports monopoly.

Airlines such as BA and Ryanair could decide to support a break-up as a way to drive down costs. BAA executives believe much of the weekend mud-slinging was aimed at showing the airport group in a poor light.

BAA comes under fire

The strongest criticism was reserved for BAA's chronic shortage of security staff to carry out searches of passengers.

BAA said: "None of this is anyone's fault, these are exceptional circumstances. No one foresaw this and there is only a certain amount you can do within contingency plans.

"We would have needed the new Terminal 5 [scheduled to open in 2008] to have coped with this. And we would have needed an extra 50 per cent security staff sitting off in a building somewhere on the off-chance something might happen." About 68m passengers use Heathrow every year. It was designed for 40m.

Andrew Lobbenberg, aviation analyst at ABN Amro in London, said: "I'm a bit cynical about the airlines throwing bricks at BAA. They are trying to deflect any blame for delays from themselves and position themselves politically for the row about who pays for the new security measures going forward. Ultimately, it has to be the airlines, and their customers, who will need to pay for this."

BAA and the airlines are unable to determine yet how much new security measures will cost, because the government has not made a final decision on what needs to be in place.

But under an agreement with the UK's Civil Aviation Authority, BAA can pass three-quarters of the costs of any increased security measures on to the airlines, once they go above a GBP14m threshold at Heathrow, GBP6m at Gatwick and GBP3m at Stansted two other London airports.

While Monday's relaxation of security measures will go some way to answering the concerns about future appetite for travel, the worries about extra costs will continue to weigh on airlines.

Load-Date: August 14, 2006

Security delays hamper airlines' return to normal

FT.com

13 August 2006 Sunday 6:57:30 PM GMT

Length: 440 words

Byline: Ben Hall and Barney Jopson

Body

The British government was under mounting pressure on Sunday to relax stringent security measures imposed on airline passengers or deploy troops to speed up checks after a fourth day of chaos at London's airports.

The controls, which include full body searches for every passenger and a ban on hand luggage, were introduced on Thursday as police foiled an alleged plot to blow up aircraft flying from UK cities to the US.

Airline and airport operators joined with members of parliament to urge the government to intervene to alleviate lengthy delays and extensive cancellations, after carriers cut up to a third of their flights.

John Reid, home secretary, conceded that the government had introduced a "terribly inconvenient regime" of restrictions on travellers that was not sustainable and would need to be changed, although the risk of a terrorist attack remained critical.

Despite the apparent policing and intelligence breakthrough in thwarting the alleged terrorist conspiracy, the government is facing growing criticism about the continued travel disruption.

David Davis, the Conservative home affairs spokesman, called for troops to be deployed to help speed up checks on passengers.

Denis MacShane, a former minister who was himself caught up in the delays said the situation "reeked of third world chaos and disorganisation".

Security delays hamper airlines' return to normal

Michael O'Leary, chief executive of Ryanair, Europe's largest low-cost airline, called on the government to drop a requirement for every UK air passenger to be body searched the main cause of a fourth day of disruption. He said the body search requirement can and should be revised from 100 per cent of passengers to the normal 25 per cent.

Airport sources confirmed that "central search" the security screens that separate check-in from the departure lounges had become the main bottleneck.

Mr O'Leary said: "The goal of these terrorists and extremists is not just to kill but also to disrupt the economic life of Britain. The UK government, by insisting on these heavy-handed security measures, is allowing the [terrorists and] extremists to achieve many of their objectives."

US security measures were also affecting flights to that country, with some aircraft forced to wait on runways while the US authorities checked passenger lists.

For several years European airlines have been required to send the US authorities numerous items of data about US-bound passenger. Until last Thursday the information had been vetted while flights were in the air, but the US is now insisting it be given time to vet the data before take-off. The UK government has urged the US authorities to speed up the vetting process.

Load-Date: August 13, 2006

Reid says airline terror measures 'unsustainable'

FT.com

13 August 2006 Sunday 2:17:20 PM GMT

FINANCIAL TIMES

Length: 288 words

Byline: Ben Hall

Body

Stringent security measures imposed on airline passengers last week against the threat of a terrorist attack are unsustainable, John Reid, home secretary, conceded on Sunday.

With airlines and airports operators locked in a blame game over the continuing chaos at Heathrow and other airports, Mr Reid acknowledged the government had introduced a "terribly inconvenient regime" of restrictions on travellers and said it would need to be changed.

"The present regime is time limited. We know it is not indefinitely sustainable," Mr Reid told the BBC. The government was working with airlines and BAA, which operates Heathrow, Gatwick and Stansted to put in place new security procedures.

Ministers are under growing pressure to intervene to alleviate the chaos at airports stemming from tighter security measures.

David Davis, shadow home secretary, on Sunday called for troops to be deployed at airports to help speed up checks on passengers.

"BAA is clearly not set up for this level of scrutiny and it does seem to me there is an argument for some resources being put in there, and put in there quickly, to try and rescue as many holidays as we possibly can."

Disruption at London's airports remains severe, three days after security controls were tightened drastically, with passengers banned from taking hand luggage aboard aircraft.

British Airways has cancelled a third of its flights from Heathrow and 20 from Gatwick, while Ryanair has cancelled 30 of its flights from Stansted.

Mr Davis was echoing the call of Michael O'Leary, chief executive of Ryanair, for government to provide "additional security staffing, either police or army reserve personnel to prevent London's main airports grinding to a halt over the coming days".

Load-Date: August 13, 2006

Airlines rush to catch up flights from Heathrow

FT.com

11 August 2006 Friday 6:37:18 PM GMT

FINANCIAL TIMES

Length: 400 words

Byline: James Boxell

Body

Heathrow airport remained heavily congested on Friday and passengers faced continued delays and flight cancellations as airlines attempted a return to more normal schedules.

British Airways was hoping to operate about 70 per cent of shorthaul and domestic flights in and out of Heathrow.

BA was also facing more flight cancellations than expected of long-haul flights from Heathrow and Gatwick.

Tony Douglas, managing director of Heathrow for BAA, the airport operator, said: "Terminal buildings are extremely busy and passengers should still expect delays. Our advice is for anyone intending to travel to check the status of their flight with the airline before leaving home."

European airlines cancelled more than 1,100 flights and about 400,000 passengers experienced disruptions on Thursday after reports of the foiled terror plot, with most delays at Heathrow.

It is the fourth August in a row that passengers have had to cope with severe disruption at the world's busiest international airport, after previous summers were hit by incidents of industrial action and technical problems for BA.

Any problems at Heathrow are particularly pronounced because it already works at full capacity.

Severe disruption is expected through the weekend. BA usually carries 100,000 people a day out of Heathrow and Gatwick.

EasyJet, the budget carrier, scrapped 112 flights from Gatwick, Stansted and Luton to various destinations in Scotland and across Europe.

About 800 EasyJet flights did take off and the company promised to return to business as usual by today. Ryanair, Europe's largest low-fare carrier, cancelled 46 services out of Stansted.

Eurostar, which runs trains between London, Paris and Brussels, said Thursday's disruption at airports led to an extra 5,500 bookings, with all seats sold out on the London to Paris route. Yesterday, it carried an extra 1,100 passengers.

Insurers may also end up paying out as claims on the cost of non-recoverable travel and accomodation can be made if flights are delayed for more than 24 hours under the terms of many policies.

A spokeswoman for Norwich Union, the UK's biggest insurer, said: "If you have been sitting at Heathrow for more than 24 hours and you just can't wait anymore and want to cancel your trip, we'll cover it."

Some insurers have also amended policies to allow valuable items, such as laptops, to remained covered even if they are stored in cargo.

Load-Date: August 11, 2006

Airlines cautiously optimistic on flight progress

FT.com

11 August 2006 Friday 10:53:04 AM GMT

Length: 248 words

Byline: FT reporters

Body

Passengers at UK airports on Friday faced a second day of disruption following Thursday's terror alert but industry figures were optimistic the situation would improve through the day.

The British Airports Authority said delays would continue across Heathrow, Gatwick and Stansted but Stephen Nelson, BAA chief executive remained positive: "It is going to be another difficult day today, both for airports and for passengers, but there is cause for optimism that we will get more flights off today," he told the BBC. "There will be queues, there will be cancellations, but we are making progress."

British Airways said it hoped to operate "the vast majority" of flights. Most of BA's long haul flights would take off, save for a few routes to the US. Virgin Atlantic flights will operate as normal, albeit with delays.

A filter system at Heathrow was helping ease congestion for BA customers. Passengers waited outside the main building in a marquee until they were called to check in.

The sense of optimism was reflected in the stock market, where BA shares moved higher in morning trading after Thursday's falls.

Other carriers such as Lufthansa claimed schedules were largely back to normal but the situation was less rosy for customers of budget airlines such as EasyJet and Ryanair which cancelled many flights because of the delays caused by the new security procedures.

Easyjet said no flights would operate to Edinburgh, Glasgow, Aberdeen, Inverness, Newcastle, Paris, Amsterdam or Geneva.

Load-Date: August 11, 2006

European stocks hit by disappointing earnings

FT.com

11 August 2006 Friday 6:36:07 PM GMT

FINANCIAL TIMES

Length: 526 words

Byline: Darryl Thomson

Body

European equities fell this week, hit by concerns over international terrorism and a renewed debate over global interest rates after the US Federal Reserve halted its monetary tightening for the first time in two years.

The FTSE Eurofirst 300 was 1.1 per cent lower on the week at 1,331.1.

The biggest falls were earnings driven. Securitas, the Swedish provider of security services, endured a weekly fall of 14.9 per cent to SKr117 after Thomas Berglund, chief executive, quit following a more than 50 per cent slump in second-quarter net income.

There was was also disappointment that the company had failed to find a buyer for Loomis, its cash handling business, and was instead embarking on a demerger next year.

Telecom stocks were knocked after Deutsche Telekom warned on profits and slashed its 2006 and 2007 targets as competition stifled growth in its domestic markets.

UBS downgraded the stock to "neutral" from "buy", while Citigroup was among several brokers lowering their price targets, dropping its to 11.50 from 13.50.

Deutsche's shares fell 11.5 per cent over the week to 10.84, while France Telecom fell 4.8 per cent to 15.73.

A mixed week for financial stocks left Commerzbank down 10 per cent to 25.60. Like many of its European rivals, profits at its investment banking division surged as financial markets flourished, but business loan margins a division the company has made central to its growth strategy were disappointing.

European stocks hit by disappointing earnings

Fortis, the Belgian-Dutch banking group, rose 2.8 per cent to 29.25 after JP Morgan raised its price target on the stock to 34.50 from 32.30 in reaction to the company's 33 per cent rise in second quarter net profit.

AGF, the French insurer, rose 2.2 per cent to 96.80 after first-half net profit climbed 33 per cent. Allianz, which owns 58 per cent of AGF, rose 0.5 per cent to 128.60.

Celesio was one of the week's biggest climbers, up 7.8 per cent to 40.03, after the German drugs wholesaler reported strong second-quarter gains in its pharmaceuticals business. This prompted WestLB to upgrade its price target on the company to 40 from 39 and retain its "add" rating.

Stocks most geared to the threat of terror attcks on the airline industry were hit following Thursday's events at Heathrow airport. Grupo Ferrovial, which is buying BAA, the company that runs Heathrow and Gatwick, fell 6 per cent to 60.65. Ryanair, the Irish low frills operator fell 4.5 per cent to 7.24 and Lufthansa slid 3.8 per cent to 14.24.

EADS, the European aerospace group, was down 4.1 per cent over the week to 22.50 on fears that any subsequent fall in passenger traffic could have a knock-on effect on aircraft orders.

Volkswagen, the German carmaker, added 3.8 per cent to 61.45 after Morgan Stanley raised its price target to 75 from 65 while sticking with its "overweight" rating. The car maker reported earlier in the week that sales at its Audi division had risen 2 per cent.

German steelmaker and engineer ThyssenKrupp fell 7.7 per cent yesterday, down 6.6 per cent over the week to 26.10 after outlining expansion plans in North America, which include the purchase of Dofasco, the Canadian steel manufacturer.

.

Load-Date: August 11, 2006

British Airways

FT.com

4 August 2006 Friday 1:29:52 PM GMT

Length: 300 words

Body

High fuel prices, geopolitical tensions, brutal competition the airlines should be squealing. Instead, it looks more like the summer of love in the airline industry.

Revenues are rising across the board, at both the low-cost and flag carriers. More importantly, so are average revenues per seat. Fuel prices may be high, but passengers seem impervious to paying more for their tickets. All the airlines are benefiting from having curbed the urge to buy aircraft. The flag carriers, in particular, according to Deutsche Bank, are either reducing capacity or holding it flat.

The numbers confirm the story. British Airways on Friday said traffic was 8 per cent higher in the first quarter than a year ago. Yields rose 6 per cent, and operating profit 20 per cent. Profit growth, pleasingly, is now being driven by turnover improvement rather than cost control. BA's operating margin, at 9.1 per cent, although way off the likes of Ryanair's, is fast approaching its 10 per cent target.

This performance means BA is generating increasing amounts of cash. The airline's new chief executive, Willie Walsh, is keen, though, to dispel any hopes of this being recycled back to shareholders in the form of a resumed dividend. Or, indeed, into its huge pension deficit, for which a gloomily high actuarial valuation is expected in September.

Mr Walsh may be right to preserve a cash cushion, since risks remain rife. The Middle East, capacity increases by the low-cost carriers, and regulatory investigations into airport monopolies and fuel surcharges all have potential to derail the current growth momentum. The biggest risks, though, are labour disputes around the move to Heathrow Terminal 5 and pensions. It would be no surprise, frankly, if the summer of love were to be followed by a winter of discontent.

British Airways

Load-Date: August 4, 2006

Ryanair

FT.com

1 August 2006 Tuesday 8:50:02 PM GMT

Length: 315 words

Body

Two years ago, Michael O'Leary, Ryanair's famously forthright chief executive, forecast a winter "bloodbath" for the airline industry. The bloodbath failed to materialise, but the Irish carrier's propensity for pessimistic predictions remains intact. On Tuesday it announced first quarter results that were significantly better than expected. It also said yields would fall between 5 per cent and 10 per cent in the second half, and profitability would decline sharply.

Whether such gloom is justified is a moot point. It is also irritating for investors, who are constantly told that jam today does not mean jam tomorrow. And the first quarter figures certainly look pretty jammy. Passenger numbers were up 25 per cent, while revenues rose 40 per cent. Ancillary revenues from services like car hire continued to rise faster than overall traffic, and net margins were an industry-beating 20 per cent.

So why the caution? Geopolitics and the oil price are genuine concerns. Passengers are already showing signs of bypassing countries like Turkey in favour of "safer" western European destinations. Meanwhile, although Ryanair has hedged its fuel needs until the end of the year at between $70 and $74 a barrel, it is currently unhedged thereafter. Other potential problems are more home-grown. The airline is adding new capacity to its 107-strong fleet at a breakneck pace 27 new aircraft by March 2007, and another 30 the year after.

Investors may question how Ryanair's management can talk about the opacity of future demand while embarking on a spending spree. The more Machiavellian might even argue that it provides the airline with an excuse not to return some of its large cash pile to shareholders. Preserving cash in an uncertain world makes sense, of course. But it would not hurt if Ryanair started predicting nice surprises like a special dividend rather than just nasty ones.

Load-Date: August 1, 2006

Ryanair

End of Document

Ryanair warns of tough winter ahead

FT.com

1 August 2006 Tuesday 10:05:53 AM GMT

Length: 705 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, Europe's leading low-cost airline, increased its first quarter pre-tax profits by 67 per cent to a record 128.6m, but warned that it also faced difficult trading in the coming winter season because of a big increase in capacity and the high oil price.

It said that if oil prices remained above $74 a barrel it could make a loss in its final quarter from January to March 2007, a period for which it still had no protective fuel hedges in place.

Despite the group's "bumper" first quarter, Michael O'Leary, chief executive, said on Tuesday that net profits for the full year were still expected to rise by only 5-10 per cent.

Almost all of the airline's profits would be generated during the first half of the financial year from April to September with a big reduction in profitability in the second half.

The Ryanair share price fell on Tuesday by 23 cents or 3 per cent in morning trading.

In the first quarter net profits rose by 66 per cent from 69.4m to 115.7m, while adjusted net profits excluding a 5.2m settlement of an insurance claim a year ago rose by 80 per cent from 64.4m to 115.7m.

Passenger volumes rose by 25 per cent to 10.7m and the airline forecast an increase by about 20 per cent to 42m in the full year to March 2007 following a 26 per cent rise last year to 35m.

The Irish group remains one of the world's most profitable airlines and in the first quarter it achieved a 20.4 per cent net profit margin up from 17.2 per cent a year ago.

Ryanair warns of tough winter ahead

Ryanair said its strong performance in the three months from April to June was due mainly to a big rise in its average fares, or yields, by 13 per cent from 41 to 46. The Ryanair business model is based on average fares falling by about 5 per cent a year.

The airline said the jump in its yields was due in part to rising fuel surcharges at many rival airlines, which was driving more traffic to the Irish carrier. Ryanair's profitability was also helped by the later timing of Easter, which fell in April this year rather than in March, and by the start of it charging for checked in baggage.

The cost of the launch of new bases and routes had also occurred earlier, falling in the final quarter of the last financial year rather than in the first quarter this year.

Mr O'Leary said the group was planning to announce two more bases in coming months for launch in early 2007 in addition to the existing network of 16 bases and 351 routes.

Based on advance bookings Ryanair did not expect yields to remain as strong in the second quarter nor in the second half.

The surge in profits in the first quarter was achieved despite a 52 per cent increase in fuel costs to 167.5m, which accounted for 39 per cent of the airline's total costs in the period.

Mr O'Leary said the group was 90 per cent hedged until the end of October at $70 a barrel and was 90 per cent hedged for November and December at $74 a barrel. It was unhedged for the final quarter of the financial year, but was looking for opportunities to hedge its outstanding fuel requirements.

Ryanair said that excluding fuel, unit costs had fallen by 2 per cent in the three months compared with a year ago.

The addition of new aircraft to the fleet was driving down aircraft and operating costs. The all Boeing 737-800 fleet would increase by 27 aircraft in the winter season to 134 by the end of March and would grow to 234 by March 2012 based on existing firm orders. The airline forecasts that it will be carrying 78m passengers a year by 2011/12 making it by far the largest short-haul carrier in Europe.

Mr O'Leary said the combination of the big planned increase in capacity, higher oil prices, and expected price dumping by loss-making competitors would lead to a "very difficult winter trading period."

Andrew Lobbenberg, aviation analyst at ABN Amro, said the Ryanair profit guidance for the full year was "conservative." Penelope Butcher, aviation analyst at Morgan Stanley said the first quarter results were likely to lead to an upgrade in analysts' consensus profit forecasts.

Mr O'Leary said the airline was "aggressively" promoting web check-in for passengers travelling with hand baggage only as a way of cutting its costs, and it was already achieving up to 50 per cent web check-in on some flights.

Load-Date: August 1, 2006

Europe stocks turn higher as results in focus

FT.com

1 August 2006 Tuesday 10:18:31 AM GMT

Length: 569 words

Byline: Neil Dennis

Body

European equities turned higher on Tuesday, as broadly pleasing results from the likes of Allied Irish Banks and KPN offset weakness caused by Deutsche Bank and Ryanair.

By mid morning, the FTSE Eurofirst 300 was up 0.2 per cent to 1,340.82, the CAC 40 in Paris added 0.1 per cent to 5,013.80 and London's FTSE 100 climbed 0.3 per cent to 5,946. Frankfurt's Xetra Dax, under pressure from disappointing Deutsche Bank results, fell fractionally to 5,681.02.

A lacklustre session on Wall Street ended with the main US stock indicators a little lower. The Dow Jones Industrial Average lost 0.3 per cent to 11,185.68 and the Nasdaq Composite eased 0.1 per cent to 2,091.47.

Back in Europe and the financial reporting season continued as Deutsche Bank announced a 30 per cent rise in second-quarter net profit, driven by stronger commission income. However, income from trading financial assets was weaker-than-expected after recent market volatility and the shares fell 2 per cent to 88.45.

HBOS, the UK's biggest mortgage lender, reported a better-than-expected 13 per cent rise in underlying profit in the first half, thanks to falling costs and income growth. The company proposed a first-half dividend of 13.5p a share and increased its 2006 share buyback programme from GBP750m to GBP1bn. Concerns however, over rising loan defaults caused the shares to edge 0.5 per cent lower to 968p.

Allied Irish Banks meanwhile, reported a forecast-beating 47 per cent rise in first half pre-tax profit. The company said the results were complemented by "exceptionally good asset quality", but that its operating performance was underpinned by customer demand, which gave it confidence in future growth.

Allied Irish shares gained 2.2 per cent to 19.34, while domestic rivals Bank Of Ireland and Anglo Irish Bank received a boost, up 2.5 per cent to 14.15 and 1.6 per cent to 11.60 respectively.

Irish drugmaker Elan rose 4.5 per cent to 12.25 after it announced it had cut its losses in the second quarter and was poised for a return to profitability following the relaunch of its troubed Tysabri multiple sclerosis drug.

Warnings of a tough winter hit shares in no-frills Irish airline Ryanair, in spite of the company reporting a much better-than-expected 80 per cent leap in quarterly profits. "Our outlook for the rest of the fiscal year remains cautious," said Michael O'Leary, chief executive. The shares fell 2.1 per cent to 7.63.

KPN, the Dutch telecoms group, rose 5 per cent to 9.33 after reporting a stronger-than-expected 10 per cent rise in core earnings and an improving outlook. The company said accelerating fixed line disconnections were offset by improvements at its German E-Plus division. KPN proposed an interim dividend of 0.16.

Recovering domestic markets and growth in food sales drove a sharp increase in Metro's second-quarter operating profit. The German retailer's consumer electronics unit meanwhile, was boosted by the World Cup, to help the company record a forecast-beating 24 per cent rise in core earnings.

The shares however, fell 1.3 per cent to 44.06 on rumours that major shareholder, the Haniel family, was poised to place a large stake in Metro. A spokesman for the family denied the rumour.

Deutsche Post, the German mail and logistics company, fell 3.4 per cent to 18.72 after reporting losses at its DHL parcel delivery service in the US hit its second-quarter operating profit.

Load-Date: August 1, 2006

A start-up that took to the skies

FT.com

26 July 2006 Wednesday 6:44:44 PM GMT

FINANCIAL TIMES

Length: 1346 words

Byline: Tom Braithwaite

Body

Cheapflights is a resolutely modest company. A dotcom with no smoothies or beanbags in its offices and a name that is useful but adds no pizazz, the flight-comparison site hails not from Silicon Valley but a London attic.

It is also distinguished from most of its peers in another respect: Cheapflights has been profitable since before the dotcom boom and throughout the messy aftermath. Its owners plan next year either to float it on the stockmarket, accept an injection of private capital or find a buyer. The price tag is likely to be in excess of GBP200m ($370m).

The story of the UK site which is expanding fast in the US and plans to launch in Europe next year illustrates how careful adherence to a trusted business model and a parsimony untypical of internet startups can spell the difference between success and failure.

Cheapflights was launched in 1996 by John Hatt, then travel editor of Harpers & Queen, the fashion magazine. With a career spent mainly in travel journalism, Mr Hatt's knowledge of the industry proved useful, even if he was not a natural entrepreneur.

Four years later he handed over to someone who wanted to trade in a lucrative day job for the buzz of running his own business.

As head of media mergers and acquisitions at ABN Amro, David Soskin had witnessed the dotcom phenomenon up close. When Cheapflights came across his desk in 2000, he decided to stop advising his clients on what to buy and take the plunge himself. "A lot of my business school contemporaries were all getting sucked into internet activities: I thought it was incredibly exciting," he says.

A start-up that took to the skies

What he found was an operation based in the attic of Mr Hatt's house, where the founder had built up 300,000 unique users a month and an annual turnover of GBP400,000. Revenues came from 70 advertisers buying spots beside the unbiased results brought up by those searching for deals.

But Mr Hatt had had enough. "He was absolutely exhausted by this time," says Mr Soskin, speaking from the company's modest offices in central London. "It was basically him and his personal assistant doing all the work."

Selling near the top of the market left Mr Hatt with sufficient funds to satisfy his love of travel. Mr Soskin and his business partner, Hugo Burge, paid a full price but Cheapflights weathered the bursting of the dotcom bubble and stayed in profit.

Today, the site attracts more than 5m bargain-seeking travellers a month. Last year's turnover reached GBP12.2m and the company estimates turnover of GBP18m this year as the business continues to grow at 50-60 per cent a year.

Cheapflights' rise coincided with the birth of UK budget airlines, such as EasyJet and Ryanair, bringing to public attention the benefits of shopping around for business or leisure flights. Mr Soskin sees liberalisation of the skies as a key growth factor. "The more deregulation there is, the better it is for our business," he says.

Then there is the name. Unlike other travel companies such as Travelocity or Expedia, Cheapflights has been able to minimise its advertising spending owing to the simplicity of its brand and the fact that it can be found easily on search engines. It has spent just over GBP100,000 on marketing in the UK since 1996.

Fortunately for Cheapflights, airlines and travel agents have not been so abstemious. In the site's relationship with advertisers, though, Mr Soskin has taken a cautious approach, anxious not to betray the values of an unbiased information service established by his predecessor. "Because we're from a journalistic heritage, this neutrality is terribly important. The John Hatt philosophy was if you create a site that is good for users you will make money."

In 2000 Mr Soskin took the crucial decision to place sponsored links alongside search results the pay-per-click advertising model made famous by Google. He says he was "terribly nervous" about giving the impression of polluting the results, but decided to follow the market leader. "We all know Google is not evil: Google's good. So we thought Cheapflights could be good, too."

Some of the advertisers were less keen. After the number of leads sent to one advertiser doubled, Mr Soskin told the client he would raise his prices by 20 per cent. "They said we've been advertising in traditional media for years and no one has ever done that."

Nevertheless, he says, about half of the travel agents and airlines that advertise with the site were pleased with the concept. The others were forced into it over time after the company dropped alternative means of advertising. Yet some independent travel agents have seen their revenues increase dramatically thanks to traffic generated from the site.

This made the company particularly upset when the Association of British Travel Agents, an industry body, ran a "Dotcom = Dotcon" advertising campaign in 2001, which attempted to convince travellers to trust their money to bricks-and-mortar agents rather than buy tickets online. "I took exception to it and went and explained that we were keeping their members in business," says Mr Soskin.

In conversation, he is level headed, sometimes downbeat. "We always feel dissatisfied with our product," he says. He adds that users complain about having to wade through too much data: a search for flights between London and Paris returns about 50 alternatives ranging from GBP39 to nearly 10 times as much. The site's designers plan to streamline the technology and improve its layout.

Geographic expansion is now the order of the day. Yet it was only made possible by a pivotal decision Mr Hatt took several years earlier. Not blessed with vast reserves of cash, he agonised over whether to spend GBP1,500 on the cheapflights.com domain name to complement cheapflights.co.uk. He made the investment and the invoice is now framed in the company's boardroom.

Without the ".com" domain, says Mr Soskin, the current expansion plans for the US would have been impossible. Even with it, it was a struggle. "People laughed: 'A British internet company in the States! People in Silicon Valley will run rings round you.' " But with little investment, Cheapflights is now ranked 13th by Hitwise among US travel sites in terms of unique users a month. Since the site provides only travel information and does not take a cut on booking fees, most travel sites do not see it as a direct competitor. Indeed, the top five travel sites advertise with Cheapflights.

The no-frills US expansion, led by Mr Burge, typifies the company's approach to overheads. "We did it in a typical Cheapflights way, moving a couple of people over from London and renting an office in northern Boston rather than splurging our cash."

Next year the company will launch sites in continental Europe. As always, Mr Soskin insists, the entrance into these new markets will not be flashy. "Hugo is going to start taking some Berlitz lessons in French, in German and Italian."

'HIRE PEOPLE FOR THE FUTURE'

The itch to work for yourself affects even the most seasoned dealmakers. David Soskin, who left a job at ABN Amro to take control of Cheapflights, says: "It's curious, because I do get calls from investment bankers some of whom I know, some I don't know asking me about that."

The key difference, Mr Soskin believes, is time. "Investment banking is very deal-orientated. You are constantly moving from deal to deal, and it's very short-term."

In contrast, entrepreneurs have to take a long-term view as they seek growth for the company.

Mr Soskin warns startups not to take short cuts in recruitment but to go for high calibre candidates. "Hire people not for where you are today but for the future," he says. "I hired a chartered accountant with 20 years experience as finance director when we could have hired a book-keeper."

Finally, be prepared to do everything yourself. "At the early stages of Cheapflights, I was making sales calls and going to the bank on a Monday morning with the cheques."

"A lot of people think it's exciting and challenging, which it is, but it is very different from working in an enormous company with layers of support."

Load-Date: July 26, 2006

EasyJet shares soar on revised guidance

FT.com

7 July 2006 Friday 6:22:28 PM GMT

FT
FINANCIAL TIMES

Length: 507 words

Byline: Pan Kwan Yuk

Body

EasyJet, the UK low cost carrier, raised its profits guidance sharply on Friday to reflect strong demand for short-haul flights in Europe and higher fares during the peak summer season.

Andy Harrison, EasyJet chief executive, said that pre-tax profits in the financial year to the end of September were expected to rise by 40 to 50 per cent to between GBP115m and GBP124m, up from GBP82.6m last year.

As recently as the beginning of May, EasyJet indicated an increase in profits of 10-15 per cent.

The EasyJet share price rose by 34p or 8.7 per cent, the biggest gain among the top 350 companies in the FTSE index on Friday, to close at 425p, its highest level for four years.

In recent weeks EasyJet has made up all the ground it lost in April, when the share price fell sharply from 358p to 309lp during three weeks in response to the sell-off by FL Group, the Icelandic investor, of its 16.9 per cent stake.

The bullish proifits guidance from EasyJet strengthened investor confidence in the UK and Irish airlines sector with Ryanair and British Airways also closing higher. Both airlines reported strong traffic data earlier this week with premium traffic at BA in June 11.7 higher than a year ago. The BA share price closed 10p or 3.1 per cent higher at 359p.

EasyJet said its improving performance reflected "underlying revenue strength."

In June it filled 87.6 per cent of its available seats compared with 85.1 per cent in the same month a year ago, and fears that the World Cup could depress demand on non-German routes have proved unfounded.

Mr Harrison said "despite hesitations about the effect of the World Cup on non-Germany travel, we have seen good performances throughout our network."

For the latest quarter from April to June EasyJet said unit revenues, the total revenue per seat flown, had risen by 17 per cent, helped by the later timing of Easter this year.

Mr Harrison said that for the full year total revenues per seat were expected to be 3-4 per cent higher helped in particular by a 30 per cent jump in ancillary revenues including higher commission earnings for hotel bookings, car rental and travel insurance sold via its website.

While they have avoided imposing fuel surcharges on their fares the low cost carriers led by EasyJet and Ryanair have been able to raise their average fares in response to the rising fares at most of the network airlines.

The improvement in revenues has been strong enough to allow them to compensate for the sharp rise in the oil price, which has inflated their fuel costs.

EasyJet has also been able to compensate for operating problems and a shortage of cabin and flight crew, which has forced it to charter in four additional aircraft complete with crews for three months from June to August in order to protect its summer schedule.

The airline said its operations were lacking around 150 cabin crew, who had been hired but for whom security clearance had been delayed, and around 50 pilots, who were being retrained from Boeing to Airbus aircraft, as EasyJet expands and modernises its fleet.

Load-Date: July 7, 2006

Cautious European investors await US payrolls

FT.com

7 July 2006 Friday 9:08:44 AM GMT

FINANCIAL TIMES

Length: 408 words

Byline: Neil Dennis

Body

European stocks were lower on Friday as investors nervously awaited US employment data for further clues on the likely direction of future US monetary policy.

In early trade, the FTSE Eurofirst 300 was down 0.4 per cent to 1,313.89, while Frankfurt's Xetra Dax shed 0.4 per cent to 5,670.34. In Paris, the CAC 40 lost 0.4 per cent to 4,945.3 and London's FTSE 100 fell 0.2 per cent to 5,876.4.

Stocks on Wall Street made modest overnight gains, but early strength after weaker-than-expected data indicated an end to rate increased gave way to caution ahead of Friday payrolls report.

The Dow Jones Industrial Average added 0.7 per cent to 11,225.3, while the Nasdaq Composite put on 0.1 per cent to 2,155.09.

Air France-KLM, the Franco-Dutch airline, gained 0.5 per cent to 18.60 after it reported passenger traffic growth of 7.1 per cent in June, thanks to increasing popularity of Asian routes and traffic to the Americas. The company said its load factor the percentage of seats it fills on flights rose 0.9 percentage points to 82.4 per cent overall, while American routes reached 90.3 per cent.

Ryanair, the low cost airline which reported a 23 per cent increase in passenger traffic on Wednesday, was the Eurofirst 300's biggest gainer. Its shares added 2.1 per cent to 7.68 after rival Easyjet said it expected full-year pre-tax profit growth in the region of 40-50 per cent. Its own June passenger numbers rose 15.6 per cent and its load factor hit 87.6 per cent.

Easyjet shares were up 6.1 per cent at 415p, having earlier jumped more than 8 per cent to a four-year high.

Cautious European investors await US payrolls

Fraport, the German aiport operator, gained 1 per cent to 57.73 after it was given an "overweight" rating by JPMorgan as the broker initiated coverage of the company. The broker said Fraport had significant upside as it looked to expand its retail business.

Consolidation in the utilities sector continued in the spotlight as Belgium's Electrabel, itself a recent acquisition of France's Suez, said its offer for Dutch energy generator Rendo Energie had been accepted. Shares in Suez fell 0.8 per cent to 31.73.

Bayer, the German drugs and chemicals group, said it had successfully placed 34m new shares at 34.75 each, a discount of 2.6 per cent to Wednesday's closing price. Bayer added it now holds 88.74 per cent of domestic rival Schering, not including the shares tendered during the additional acceptance period that ended on Thursday. Bayer was flat at 35.31.

Load-Date: July 7, 2006

Iberian pilots strike over low-cost subsidiary

FT.com

7 July 2006 Friday 11:11:38 PM GMT

Length: 529 words

Byline: Leslie Crawford in Madrid

Body

As inevitably as the onset of summer, Iberia pilots have called a week-long strike from Monday to protest against the Spanish flag-carrier's plans to set up a low-cost airline.

Talks between Iberia and Sepla, the pilots' union, broke down this week, leaving Iberia to threaten a court injunction to stop the strike, which could cost the airline 3m- 5m ($3.8m-$6.4m) a day. "Spanish law does not allow workers to go on strike over a company's strategic business decisions," Iberia said.

The company is already struggling with higher fuel costs. Operational losses in the first quarter of this year doubled to 65m.

The strike will force the cancellation of as many as 200 daily flights and affect 200,000 passengers at the start of the holiday season, Iberia says. The Spanish government has decreed minimum mandatory services should include most long-haul flights, about half of Iberia's domestic and European routes and all flights to the Balearic and Canary Islands.

Sepla said the strike was about protecting the jobs of Iberia's 1,900 pilots. "Management wants to dismantle Iberia bit by bit, and will use its low-cost offshoot to do so," Sepla said. "Iberia does not want to employ its pilots in its new low-cost subsidiary."

In October, Iberia will launch a low-cost airline, provisionally known as Catair, to compete with the likes of Easyjet, Ryanair and Air Berlin.

Low-cost carriers have been rapidly gaining market share at the expense of traditional airlines, transporting 1.2m passengers in the first quarter of 2006, a 6 per cent rise over the comparable period in 2005, according to the Spanish Institute of Tourism Studies.

Iberia wants to give up some of its loss-making European and domestic flights to concentrate on its profitable routes to the Americas. It will initially have a 20 per cent stake in Catair, although it is providing half of the 50m in start-up capital. Catair has been structured as a stand-alone company, "so as not to contaminate the new airline with Iberia's higher cost structure", said Iberia.

That includes the costs of pilots, which represent the biggest single outlay for the company, according to Iberia. Iberia's pilots earn on average 150,000 a year for flying 80 hours a month in line with other European pilots.

Although Fernando Conthe, Iberia's chairman, has written to every pilot assuring them their jobs are not at risk, Sepla said it had seen the writing on the wall. It suspected Iberia would recruit low-cost pilots from eastern Europe to man Catair's flights.

"Iberia's management plan, announced last October, estimates it will retire 27 planes before 2008, which could put 300 pilots out of work," Sepla said.

"Catair is expected to build up strength to about 30 aircraft by 2008, and will need to hire more than 300 pilots. The similarity in numbers is not a coincidence. It is a deliberate attempt to transfer routes and jobs to the low-cost airline," Sepla added.

Iberia said the pilots' fears were unfounded.

Short-haul aircraft would be replaced with long-haul planes as the company expanded services to Asia and the Americas. "We will need more pilots, not fewer, if our expansion plan is successful," Iberia said.

Load-Date: July 7, 2006

Europe struggles to end week slightly higher

FT.com

7 July 2006 Friday 5:55:50 PM GMT

FINANCIAL TIMES

Length: 472 words

Byline: Neil Dennis

Body

European equity markets struggled against the headwinds of interest rate uncertainty and US employment data this week.

And while none of the FTSE Eurofirst 300's constituents took off particularly strongly, improving passenger numbers at several airlines - notably the UK's Easyjet - gave some of Europe's main carriers a lift. At the other end of the pan-European index stood a number of aerospace companies, namely those associated with troubled aircraft builder Airbus.

Over the week, the Eurofirst 300 index gained 0.2 per cent to finish at 1,316.45, after easing 0.2 per cent on Friday.

Ryanair, the Irish budget airline, gained 8.6 per cent over the week to 7.71 after it reported a 23 per cent year-on-year increase in the number of passengers it carried in June.

Air France-KLM on Friday unveiled a less impressive but still welcome 7.1 per cent increase in June traffic. Shares in Air France-KLM rose 0.7 per cent over the week to 18.51.

The gains came after EasyJet reported a 15.6 per cent rise in June passenger numbers and said it expected strong full-year profit growth.

EADS, the European aerospace and defence group, fell as doubts were raised about the value of Airbus, the aircraft manufacturer in which it has an 80 per cent stake. Rothschild, the private bank, valued the 20 per cent of EADS owned by BAE Systems of the UK at 2.75bn, a disappointingly low figure.

Europe struggles to end week slightly higher

EADS' shares rebounded 3.2 per cent on Friday after newly-installed co-chief executive Louis Gallois said his management team's first priority was to restore confidence in the group. Over the week, however, the stock fell 3.5 per cent to 21.7.

Finmeccanica, which makes parts for Airbus, fell 3.2 per cent to 16.808. In London, BAE dropped 7.4 per cent to 342.55p.

Energy stocks were buoyed as oil prices hit fresh all-time highs amid renewed concerns that supply would not meet fast-growing US demand.

Norway's Statoil rose 6 per cent over the week to NKr187, while domestic rival Norsk Hydro added 5.5 per cent to NKr174.

Shares in Finland's Neste Oil jumped more than 3 per cent on Thursday, but ended the week a rise of just 0.8 per cent at 27.75. Merrill Lynch raised its price target for Neste to factor in potential gains from the company's bio-diesel operations.

"Using companies in the biofuels space as our valuation benchmark, we believe Neste's biodiesel business is worth 3 a share," the broker said, lifting its target price from 33 to 36.

Banks had a mixed week, clouded by interest rate decisions from both the European Central Bank and the Bank of England, while Friday's US non-farm payrolls data also led to market nerves.

But Natexis Banques Populaire gained 6 per cent over the week to 189.7 after broker Exane BNP Paribas favoured the stock due to the expected benefits of its pending tie up with rival mutual lender Caisse d'Epargne.

Load-Date: July 7, 2006

Stansted airlines protest over BAA plans

FT.com

5 July 2006 Wednesday 12:15:45 AM GMT

Length: 482 words

Byline: Kevin Done, Aerospace Correspondent

Body

Airlines operating at London Stansted airport on Tuesday attacked BAA proposals for building a second runway and terminal at the airport and claimed the plans were based on unrealistic passenger forecasts.

The carriers led by Ryanair and EasyJet, which account for the lion's share of operations at Stansted, said that research carried out by independent consultants and commissioned by the airlines "proves that BAA's passenger forecasts are without foundation and wildly inflated."

The UK government has firmly supported the plan for the building of a second runway at Stansted, as the first move to increase airport capacity in the overcrowded south-east of England.

The consortium led by Spain's Ferrovial, which has recently completed the takeover of BAA in what is believed to be Europe's largest ever leveraged buy-out, has already indicated, however, that it is considering reducing the scale of planned investment at Stansted.

In its offer document it said that it had developed "an alternative capital expenditure plan" for Stansted, which had already been "flagged" to the Civil Aviation Authority, the economic regulator for BAA's three London airports, and to the Department for Transport.

BAA has proposed a GBP2.7bn scheme, the so-called Stansted Generation 2 project, aimed at tripling the present capacity of London's third airport to around 76m passengers a year, more than the current size of Heathrow.

A planning application for the second runway is due to be submitted in summer 2007. BAA has said previously that the earliest the first phase of the G2 project could be operational, would be the end of 2013.

Stansted airlines protest over BAA plans

The airlines using Stansted have expressed fierce criticism of the scale of the investment planned by BAA, and the expansion is also facing tough opposition from local residents and environmental groups.

Separately BAA applied in April for planning permission to expand capacity at Stansted from the present limit of 25m to around 35m passengers a year, which it expects to reach by 2014 with the maximum use of the existing single runway.

Stansted has recently overtaken Manchester airport to become the third busiest in the UK measured by passenger numbers, and is currently handling around 22m passengers a year.

The Stansted airline consultative committee (SACC), which includes most of the carriers operating at the airport, said the passenger forecasts put forward by BAA were being used "to justify excessive capital expenditure, which will lead to higher airport charges and increased fares to consumers.

David O'Brien, chairman of the SACC and operations director of Ryanair, the leading airline at Stansted, said BAA had "consistently ignored the requirements of Stansted users and built, costly, gold-plated facilities because this is how they make their enormous profits - the more money they spend on facilities, the higher their allowed airport charges."

Load-Date: July 5, 2006

Ryanair says fuel costs could slow profit growth

FT.com

6 June 2006 Tuesday 9:00:29 AM GMT

FINANCIAL TIMES

Length: 424 words

Byline: Helen Thomas

Body

Ryanair said on Tuesday that profit after tax, adjusted for exceptional items rose 12 per cent to 302m in the year to March, from 268m.

However, Europe's biggest low-cost airline warned investors only to expect growth of between 5 to 10 per cent in the current year if oil prices remained at $70 per barrel.

Ryanair had, at the nine month stage, fully hedged its fuel requirements to the end of March at $49 a barrel, but had still been unhedged for the 2007 financial year. On Tuesday, the company said it had now hedged 90 per cent of its needs from June to October at $70 per barrel.

Shares in the airline lost 1.9 per cent in early trade to 6.6.

Fuel costs rose 74 per cent last year, as the US dollar price of oil continued to skyrocket. Recent dollar weakness would help partially to offset the effects of oil prices, the company said.

Excluding fuel, unit costs fell 6 per cent, a smaller decline than some analysts had hoped for. Ryanair's net margin fell to 18 per cent across the year, down from 25.6 per cent in the more lucrative first half and a fall of 2 percentage points from last year.

"This robust performance validates our lowest fare/lowest cost model," said Michael O'Leary, chief executive, pointing out that other airlines fuel surcharges were driving customers to Ryanair.

"We will continue to absorb significantly higher oil prices thanks to the benign yield environment and continuing unit cost reductions."

Mr O'Leary again took aim at BAA, the UK airports operator, whose board on Monday night agreed to recommend a takeover offer from Spain's Ferrovial after stonewalling its Spanish suitor for more than four months.

Ryanair's chief executive welcomed the announcement by the UK's Office of Fair Trading into BAA's control of the main London airports and accused BAA of "featherbedding its balance sheet, at the expense of airline users and the travelling public."

Ryanair's yields - average fare prices - rose 1 per cent across last year despite a 27 per cent expansion in capacity. Ryanair said that it expected to carry 42m passenger in the coming year, a 20 per cent rise, but warned that yields would remain flat.

Total revenues rose 28 per cent to 1.7bn.

The airline is close to finalising plans to launch a mobile phone service on board flights next year and website gambling to boost its ancilliary revenues. Last year ancilliary revenues - from sources such as commission earnings on internet sales of car rental, travel insurance and hotel bookings - grew faster than passenger volumes, up 36 per cent to 259.2m.

Load-Date: June 8, 2006

Lex: Ryanair

FT.com

6 June 2006 Tuesday 10:26:51 PM GMT

Length: 299 words

Body

The bounding self-confidence of Ryanair's chief executive provokes an unkind desire to see it punctured.

It is difficult to see this happening, though, when Michael O'Leary continues to present such solid evidence of good performance. The Irish low-cost carrier increased passengers and revenue more than expected in the year to 31 March. Net income rose 12 per cent and unit costs rose only 5 per cent despite a 74 per cent increase in fuel costs over the year. The amount Ryanair earns from providing extra services like car hire or hotel bookings continues to grow as a proportion of revenues and contributed strongly to a 2 per cent increase in revenue per passenger.

Given this, Mr O'Leary's boast that Ryanair will this year overtake Lufthansa as the world's largest international scheduled carrier is not as hubristic as it sounds.

There are still valid questions to ask about Ryanair's future performance. It is adding capacity at breakneck pace. Although Mr O'Leary says cutting costs is like peeling an onion once one layer is uncovered, another layer reveals itself unit costs other than fuel cannot stay on a downward path indefinitely.

Despite the good news on Tuesday, Ryanair shares are stuck where they were three years ago and trade on a 20 per cent forward price to earnings discount to low-cost rivals like Easyjet and Southwest. The most pressing question for shareholders is therefore what Ryanair will decide to do with its cash pile, now approaching 2bn. Mr O'Leary says, with some justification, that he believes airlines rarely make money from acquisitions, so it is unlikely to be squandered. Shareholders hoping for a juicy special dividend have good reason to expect that Ryanair's success will soon flow over to them.

- Click here to add your comments- Get Lex by email

Load-Date: June 8, 2006

Lex live: Ryanair

FT.com

6 June 2006 Tuesday 3:07:05 PM GMT

Length: 295 words

Body

The overweening self-confidence of Ryanair's chief executive provokes a desire to prick it.

This is difficult to do, though, when Michael O'Leary continues to present such solid evidence of good performance. The Irish low-cost carrier increased passengers and revenue more than expected in the year to 31 March. Net income rose 12 per cent and unit costs rose only 5 per cent despite a 74 per cent increase in fuel costs over the year. The money Ryanair earns from providing extras like car hire or hotel bookings continues to grow as a proportion of total revenues, and contributed strongly to a 2 per cent increase in revenue per passenger.

Given this, Mr O'Leary's boast that Ryanair will this year overtake Lufthansa as the world's largest international scheduled carrier is not as hubristic as it sounds.

There are still valid questions to ask about Ryanair's future performance. It is adding capacity at breakneck pace. And although Mr O'Leary says cutting costs is like peeling an onion once one layer is uncovered, another layer reveals itself unit costs other than fuel cannot stay on a downward path indefinitely.

Despite all the good news, Ryanair shares are currently stuck where they were three years ago and, on forward price to earnings, trade on a 20 per cent discount to low-cost rivals like Easyjet and Southwest. So the most pressing question for shareholders is what Ryanair will decide to do with its cash pile, now approaching 2bn. Mr O'Leary says, with some justification, that he believes airlines rarely make money from acquisitions, so it is unlikely to be squandered. Shareholders hoping for a juicy special dividend have good reason to expect that Ryanair's success will soon flow over to them.

- Click here to add your comments- Get Lex by email

Load-Date: June 8, 2006

Ryanair cautious over profits growth

FT.com

6 June 2006 Tuesday 5:44:10 PM GMT

Length: 423 words

Byline: Kevin Done in London

Body

Ryanair, Europe's leading low- cost airline, on Tuesday gave a cautious forecast for profits growth this year of 5 to 10 per cent in the face of continuing high oil prices and a rapid increase in capacity next winter.

Michael O'Leary, Ryanair chief executive, warned of "further price dumping by loss-making competitors who will be trying to survive next winter". He said that Ryanair was still on track, however, to double its passenger volumes and profits by 2012.

Ryanair is likely to have become the leading European short-haul carrier, measured by passenger numbers, ahead of Air France-KLM and Lufthansa by the end of the decade.

The airline increased its pre-tax profits by 9.6 per cent last year from 309m to 339m ($435m) despite a 74 per cent increase in fuel costs. Average yields or fare levels increased by 1 per cent despite a 27 per cent growth in capacity, as the airline benefited from many rival airlines raising fares through fuel surcharges.

Ryanair said it had hedged 90 per cent of its fuel requirements for the months from June to October at $70 a barrel.

The Irish group remains one of the world's most profitable airlines with a net profit margin of 18 per cent last year, down from 21 per cent a year earlier, compared with 7 per cent at Southwest Airlines in the US, 6 per cent at British Airways and 3 per cent at EasyJet.

Chris Avery, aviation analyst at JP Morgan, said that Ryanair was generating "more consistent earnings growth than other airlines even at $70 a barrel oil".

The group forecast that its passenger volumes would grow by about 20 per cent in the year to March 2007 to 42m, following a 26 per cent rise last year to 35m.

Mr O'Leary said the airline was planning to add two more bases to its existing 16 across Europe during the coming winter season and was in discussions with two airports in each of Spain and Italy and one each in Germany and the UK. He dismissed concerns that the expansion of the airline could be held back by a shortage of pilots and said that Ryanair had already recruited 291 of the 320 needed in the current financial year to increase the pilot workforce from 1,096 to 1,416.

Mr O'Leary said that growth in ancillary revenues from sources such as internet booking of hotels, car hire and insurance was forecast to continue growing faster than passenger fare revenues. The group is close to finalising new moves to introduce onboard mobile phone services in 2007 as well as internet gambling via its ryanair.com website, which could be developed later into in-flight gambling.

Load-Date: June 8, 2006

Sharp opening losses for Europe

FT.com

6 June 2006 Tuesday 8:50:54 AM GMT

FINANCIAL TIMES

Length: 355 words

Byline: Chris Flood

Body

European equity markets endured sharp opening losses on Tuesday following overnight declines on Wall Street and Asia, prompted by a warning from Ben Bernanke, chairman of the Federal Reserve, on the need to remain vigilant on inflation in spite of signs of slowing economic growth.

The FTSe Eurofirst dropped 14.3 points or 1.1 per cent to 1,291.31 while the German Dax lost 63.6 points or 1.1 per cent to 5,553.2 and the French CAC 40 fell 57.2 points or 1 per cent to 5,704.9.

In London, the FTSE 100 fell 64.8 points or 1.1 per cent to 5,697.3, weighed down by a weak performance from the mining sector.

Spread betting companies in London were calling for the FTSE 100, German Dax and French CAC 40 to open between 40 and 72 points lower.

On Monday, the FTSE Eurofirst 300 fell 7.55 points, or 0.6 per cent, to 1,305.65.

The takeover battle for BAA took another turn as Goldman Sachs said it was prepared to offer 955.25p after as market talk suggested the UK airport operator had agreed a revised 950.25p takeover offer from Grupo Ferrovial of Spain. (Both offers include the BAA dividend of 15.25p)

BAA rose 2.4 per cent to 950p while Ferrovial fell 1.8 per cent to 59.70 on fears the Spanish infrastructure operator will return with an improved offer as the takeover battle becomes more expensive.

Axa, the French insurance giant, announced it had reached agreement to sell its Axa Re business to Stone Point Capital, the US private equity group. Axa fell 1.2 per cent to 26.37.

Sharp opening losses for Europe

Ryanair fell 1.9 per cent to 6.72 after the budget airline said it expected profits growth of 5 to 10 per cent this year if oil prices stayed close to $70 a barrel. Ryanair announced better-than-expected full year net profits (excluding exceptionals) of 302m, up 12 per cent and slightly ahead of analysts expectations.

Elan fell 13.1 per cent to 12.83 after the US Food and Drug Administration agreed to the reintrioduction of tysabri but said alternative treatents for multiple sclerosis were preferable.

This helped Serono, up 4.2 per cent to SFr792 as tysabri was seen as a potential competitor for the Swiss company's multiple sclerosis product.

Load-Date: June 8, 2006

Mudlark: Morning calls for freedom preacher

FT.com

6 June 2006 Tuesday 7:56:07 PM GMT

Length: 710 words

Byline: Carlos Grande

Body

Charles Dunstone, chief executive of Carphone Warehouse, was in typically candid form on Tuesday as he updated the world on the take-up of the mobile phone seller's much-trumpeted "free" broadband service.

He dismissed ideas that he might buy Bulldog, the broadband provider, from Cable and Wireless, and predicted that Saturday will be "the worst retailing day of the year so far" as the industry competes with the attractions of the 2pm England-Paraguay kick-off in the World Cup.

But the day's first duty was a very early appearance on Radio 4's Today programme.

"I was just thankful that BAA didn't announce the Ferrovial deal till 8.20am," he told Mudlark.

From there, it was off to the City to do the rounds of institutions at the same time as another well-known self-made businessman.

"For some reason, we always seem to release results the same day as Ryanair and as I'm going round Michael O'Leary is usually cursing his way around the City," Dunstone laughed.

As FT readers know, the wheels of Wm Morrison, the Bradford-headquartered supermarket group, can grind exceedingly slow.

So while City investors await the appointment of a new chief executive as Mudlark went to print, the name had not yet been released Soho types must be patient for another unveiling.

The supermarket chain is reviewing its advertising account, estimated to be worth about GBP30m a year.

Although there is some industry chatter that the account will be "moving south", the current agency BDH\TBWA, based in Manchester, is among those pitching for the business.

Whoever wins, Mudlark hopes the review might spell the end of the group's creaking "More reasons to shop at Morrisons" slogan that doesn't sing for us in any type of accent.

With FTSE stalwarts falling almost daily to foreign raiders, it is salutary to be reminded of British successes overseas, however modest.

The winner of the fifth series of the American version of The Apprentice, which has just finished airing on the US network, NBC, is a Brit. Sean Yasbeck is a mere 33 but he is the owner of a fine mop, which could one day achieve the Mount Rushmore-like solidity of that atop his mentor and The Apprentice frontman, Donald Trump, the US hotelier.

Yasbeck's victory was mixed news for Glotel, the LSE-listed recruitment group, which employs Yasbeck and gave him leave of absence to appear in the show. This is likely to be permanent as few reality TV contestants return to their day jobs.

Still, Glotel, which specialises in staffing telecommunications companies, particularly wireless operators, increased profit by 70 per cent in the year to March 31.

Ebullient Stevie Spring, the new chief executive of Future, the magazine publisher, is known as "Her Outdoors" and the "Ruby Wax of advertising" because of her profile in her previous sector, namely UK poster advertising.

Although the last media job on Ms Spring's CV was a stint at breakfast television in the 1980s, there is a logic to the appointment.

She is joining from the UK arm of Clear Channel, the billboards and bus shelters group whose international business was run by Roger Parry, chairman of Future, for many years.

Not surprisingly, Parry says he didn't have to pay full whack for the headhunting fees. Lest anyone suspect nepotism, however, Spring points out that she underwent several tough interviews. "Roger's interview lasted six years."

If you remain unconvinced by all the exhortations in the media to pray for divine intervention to mend young Wayne Rooney's foot, there could be another way of ensuring glory for England in Germany.

Uniq, the food group, has developed a range of World Cup sandwiches for its biggest customer, Marks and Spencer.

Lunchtime snackers fancying something traditional can reinforce their patriotic credentials and pick up a roast beef and full English breakfast sandwich, which carries the slogan "Go England" on the packaging.

But don't despair if you have a more exotic palate.

You'll still be helping England's cause. Anyone buying a Frankfurter or tuna nicoise sandwich finds a slogan simply urging Germany or France "To Go". Uniq assures Mudlark that this is shorthand for encouraging those countries "to go" and make an early exit from the Cup. Surely a more digestible alternative to the penalty shoot-out?

Load-Date: June 8, 2006

Ferrovial buys up BAA shares to block Goldman

FT.com

6 June 2006 Tuesday 10:34:52 AM GMT

FINANCIAL TIMES

Length: 627 words

Byline: Kevin Done in Paris and Lina Saigol in London

Body

Ferrovial on Tuesday moved to protect its agreed 950 p offer for BAA, the UK airports operator, buying up shares in the company which could act as a blocking stake against a possible higher bid from a rival consortium led by Goldman Sachs.

Citigroup bought shares in BAA in the open market on Ferrovial's behalf at 950 p to take the Spanish group's stake to 15 per cent.

The board of BAA, the world's biggest airports operator, agreed late on Monday night to recommend a takeover offer from a consortium led by Spain's Ferrovial after a tense head-to-head fight against the Goldman consortium.

A revised offer from the consortium would also have to factor in any break fees agreed between BAA and Ferrovial.

On Tuesday the BAA board said the Ferrovial offer represented an "attractive price" for BAA. The airports group said Ferrovial offered 950 p a share, including a proposed final dividend of 15.25p a share.

In morning trade BAA shares were up 2.2 per cent at 948p.

However, the Goldman Sachs consortium said on Tuesday in a statement that it had offered 955 p a share, also including the 15.25p final dividend, arguably offering BAA shareholders the better deal.

Goldman Sachs consortium has until June 16 to return with a higher offer to try to win BAA board backing, after the UK Takeover Panel extended the deadlines for both bidders on Monday night.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

Ferrovial buys up BAA shares to block Goldman

The Goldman-led consortium on Monday night appealed to the Takeover Panel on the grounds that Ferrovial had breached the 60-day timetable. The Ferrovial offer values the BAA equity at GBP10.3bn ($19.3bn). Together with net debt of GBP5.3bn it places an enterprise value on BAA of GBP15.6bn, making it one of the largest foreign takeovers of a FTSE-100 company.

The deal would be the biggest takeover ever made in the global airports industry, where BAA has widespread interests including seven airports in the UK and other operations in Hungary, Italy, Australia and the US. If Ferrovial succeeds in closing the deal it could face a far-reaching investigation by the UK Office of Fair Trading, which potentially could lead to the break-up of BAA's London airports monopoly.

"We are also continuing to campaign for the break up of the BAA airport monopoly in the UK. We welcome the OFT's recent announcement that it is considering looking into the BAA's monopoly over the main London Airports, " said Michael O'Leary, chief executive of Ryanair, on Tuesday as he unveiled the low-cost airline's final results.

The race between the Spanish and US-led consortia ended dramatically in a fierce bidding auction, in which the US investment bank was finally outmanoeuvred by the "pace and decisiveness" of the Ferrovial bidding team, according to one close observer.

For the first time in nearly 17 weeks of fighting off the Spanish predator Ferrovial's interest in acquiring BAA was first disclosed on February 8 the UK airports operator was finally cornered on Monday.

BAA has previously rejected overtures from both consortia, but in a day of high drama it managed to engineer an auction between the two sides, as the Ferrovial consortium approached a midnight deadline set by the Takeover Panel code for sending out its revised offer document to BAA's 350,000 shareholders.

BAA had previously rejected both Ferrovial's last offer of 900p a share, made last week, and a "preliminary, highly conditional" approach at 870p a share made by the Goldman Sachs consortium at the end of March.

The Ferrovial consortium was advised by Citigroup and Macquarie Bank. BAA was advised by Rothschild and UBS, while the Goldman group was also advised by Dresdner Kleinwort Wasserstein alongside Goldman Sachs.

Load-Date: June 8, 2006

Operating loss weighs down Air Berlin

FT.com

31 May 2006 Wednesday 11:56:38 PM GMT

Length: 295 words

Byline: Gerrit Wiesmann in Frankfurt

Body

Air Berlin, Europe's third largest budget airline, reported a bigger operating loss for the first three months of 2006 than for the same period last year, as Easter slipped into the second quarter and fuel costs and investments rose.

The airline, which debuted on the Frankfurt stock exchange three weeks ago, said its operating loss widened by just over 20m to 57.8m, though its net loss shrank by almost 8m to 31m on the back of a tax benefit.

Joachim Hunold, chief executive, said the airline would report a "clearly positive" net profit this year after making after-tax losses in 2005 and 2004 as the airline was hit by rising oil prices it hadn't hedged against.

Despite the lack of Easter travellers, the airline carried almost 2.8m passengers between January and the end of March, 8.5 percent more than last year. Higher passenger numbers lifted sales by 3.7 percent to 224m.

The carrier's shares jumped as much as 3 percent to trade as high as 10.36 following the statement. But they still trailed a debut price of 12 on May 11, or the 17.50 once seen as a possible offer price.

With up to 80 percent of its fuel costs hedged this year and hopes for a strong Easter business in the running second quarter, executives said the Berlin company's performance would pick up during the course of the year.

Ulf Huettmeyer, chief financial officer, said bookings were currently "very strong" and would help reap a profit for the period. After rising to 13 percent last quarter, full-year personnel costs would not exceed 10 percent.

The airline has ordered a raft of new planes to take on its bigger rivals Ryanair and Easyjet. Its ambition was dealt an early blow when investor scepticism forced it to lower the price of its initial public offer, cutting takings by half.

Load-Date: June 2, 2006

Aer Lingus leaves Oneworld

FT.com

30 May 2006 Tuesday 4:40:03 PM GMT

FINANCIAL TIMES

Length: 497 words

Byline: Kevin Done, Aerospace Correspondent

Body

Aer Lingus, the Irish state-owned flag carrier, is leaving the Oneworld global airline alliance in response to the growing divergence between its low fares point-to-point business model and the network strategies of its alliance partners.

It is also facing growing costs of compliance with the obligations of membership of Oneworld, which is led by British Airways, American Airlines, Qantas and Cathay Pacific, at a time when the alliance is growing quickly.

Next year, Japan Airlines, Royal Jordanian and Malev Hungarian are all due to join Oneworld triggering a sharp rise in IT costs for integrating the computer systems of the new members.

Oneworld, which includes Iberia, Finnair and LanChile, is also in discussions with other potential members as it seeks to expand most importantly into China and India and to broaden its presence in Latin America. Both China Eastern and Mexicana are seen as potential future recruits to the alliance.

Aer Lingus joined the alliance in 2000, when it was still a full service carrier with an important focus on business travellers and connecting traffic.

Since the depth of the aviation crisis in 2001, it has reinvented itself as a low fares airline imitating many of the features of the low cost carrier business model, as it has sought to compete head-on with Ireland's Ryanair, the leading European low cost airline.

It has launched 48 new routes since 2001 as it has expanded its short-haul network around Europe and has concentrated on internet sales and distribution.

In 2002, 15 per cent of its traffic came from other Oneworld members, but this fell to 6 per cent last year.

Dermot Mannion, Aer Lingus chief executive, said on Tuesday that alliance membership had "inevitably become less relevant for the airline over time." Its future emphasis would be to continue to expand its range of both short and long-haul destinations out of Ireland.

It recently added Dubai to its long-haul network, but further growth is dependent on the success of the airline's planned partial privatisation and the injection of new capital through an initial public offering.

The airline is still in negotiations with the trades unions over pensions and job security, but Mr Mannion said on Tuesday that the IPO could be completed during September.

He said that Aer Lingus was in negotiations with its most important Oneworld partners led by BA and American to try to secure continuing strong bilateral relationships outside the alliance.

Aer Lingus provides all BA's feeder traffic out of Ireland to BA's Heathrow hub. BA stopped its Heathrow-Ireland routes in 1991 in favour of code-sharing on Aer Lingus operated services. The Heathrow routes to and from Dublin, Cork and Shannon account for 22 per cent of Aer Lingus flights.

The Aer Lingus product offering in Europe has diverged greatly from most other Oneworld airlines. On all short-haul services it has abandoned business class in favour of single class all-economy cabins with buy-on board inflight catering.

Load-Date: May 31, 2006

Airports scrutiny takes BAA by surprise

FT.com

25 May 2006 Thursday 2:44:11 PM GMT

Length: 535 words

Byline: Tom Griggs

Body

BAA's latest move to fend off a GBP8.75bn ($16.5bn) hostile bid from a consortium led by Spain's Grupo Ferrovial was undermined as the Office of Fair Trading said it was considering an investigation into the UK airports market.Grupo Ferrovial

Mike Clasper, BAA chief executive, said on Thursday that the OFT announcement had come as "a complete surprise", but that the UK airports operator would co-operate with any enquiry.

BAA wanted to focus on its dividend rise and high valuation of the company, but by early afternoon the OFT announcement had led to a 7.1 per cent fall in the group's share price to 774lp.

Mr Clasper added that the group already faced strict regulation on prices in the south-east so any further review "would not affect the underlying economics of our London airports".

The OFT said that the move could lead to a referral to the Competition Commission.Grupo FerrovialHoweverSeparately, the Office of Fair Trading on Thursday said it was considering looking at the UK airports market following Wednesday's approval of the Ferrovial bid for BAA in a move that could lead to a referral to the Competition Commission.

"Competition in air transport is an extremely important part of the UK economy, with a significant impact on UK consumers and business alike," said John Fingleton, OFT chief executive.

"For these and other reasons, we have decided to look more closely at how the airport markets work with the aim of establishing whether the current market structure delivers best value for air travellers," he added, saying that the OFT would make a more detailed announcement by the end of June.

Michael O'Leary, Ryanair chief executive, said on Thursday that he welcomed the OFT's investigation as the best thing for passengers, while Virgin Atlantic said that it would support the break up of BAA's monopoly.

Andrew Fitchie at Collins Stewart said: "Cynics will look nervously on this regulatory meddling", before asking whether the OFT had "triggered the ultimate poison pill".

Separately, BAA said that its intrinsic value was "clearly higher than 940p a share" as it sought to defend itself against Ferrovial's 810p-a-share cash bid.

Mr Clasper said that the company had reached the 940p figure basing its valuation on leading utility groups, but that the valuation did not amount to a threshold over which it would welcome a bid as the figure did not take into account option value, capital structure changes and a control premium.Grupo Ferrovial

BAA said it would increase the share dividend by 40 per cent this year to 31.5p a share with a further increase of 7 per cent to 33.7p the following year.

Marcus Agius, BAA chairman, said: "We remain determined that this company will not be sold to the Ferrovial Consortium or any other bidder on the cheap."

Andy Murphy, UK transport analyst at Panmure Gordon, said: "Today's two independent announcements from the OFT and BAA effectively equate to a robust defence of the current 810p bid from Ferrovial... The OFT investigation raises the risks to a bidder even higher than does the current regulatory review."

BAA had already revealed that it planned to return GBP750m to shareholders through a tender offer, once the Ferrovial bid has lapsed.

Load-Date: May 26, 2006

Rough take-off for Air Berlin

FT.com

12 May 2006 Friday 3:36:06 AM GMT

FINANCIAL TIMES

Length: 280 words

Byline: Andrew Wallmeyer in Frankfurt

Body

Air Berlin, Germany's largest discount airline, had a rough take-off on Thursday, raising 235m (m$302) in its initial public offering but seeing its shares fall more than 8 per cent on the day to close below their offering price.

The company has said it will use the cash to purchase additional aircraft and expand some of its routes, specifically in eastern Europe, where it is battling larger rivals EasyJet and Ryanair.

Joachim Hunold, Air Berlin founder and chief executive, told German television network N24 he was "very pleased" with the offering, though it brought in significantly less than the 350m the company had been targeting as recently as April.

Shares opened on Thursday morning at 12.65 before falling to 11.25 at the close of trading. Their initial price was set late on Wednesday at 12.

Air Berlin's lacklustre opening-day performance was the latest in a line of disappointments for the airline, which is Germany's second-largest behind Lufthansa, selling 13.5m tickets in 2005.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.Last week the company delayed its IPO from May 5 and cut its target price range from 15- 17.50 a share to 11.50- 14 a share after investors complained that its initial range was unreasonably high.

In 2005, Air Berlin recorded a loss of 116m on revenue of 1.22bn. The year before the carrier posted a 3m loss on revenue of 1.03bn.

"It was a difficult birth, but they often produce the happiest children," noted Dirk Notheis, a managing director at Morgan Stanley, which along with Commerzbank led the offering.

Additional reporting by Mark Boschen in Frankfurt

Load-Date: May 13, 2006

Lufthansa denies plans to sell Thomas Cook stake

FT.com

11 May 2006 Thursday 1:10:51 PM GMT

Length: 403 words

Byline: Tom Griggs and Gerrit Wiesmann

Body

Lufthansa denied rumours that it plans to sell its 50 per cent stake in Thomas Cook and said that it was still on track to match last year's operating profits despite spiralling fuel costs.

Karl-Ludwig Kley, chief financial officer, said there was "neither an offer, nor some sort of agreement," to sell its stake in Thomas Cook to partner KarstadtQuelle, the retailer, which previously said that it would like to take full control of the holiday operator.

The first quarter of the year is traditionally weak and Wolfgang Mayrhuber, chief executive, said on Thursday that the 15.5 per cent improvement in group profits to a loss of 98m was in line with expectations. Revenues improved 13.9 per cent to 4.45bn as the group cut costs and introduced cheaper flights around Europe.

"Lufthansa is staying on course despite a headwind," said Mr Mayrhuber. "Even with an oil price of more than $70 per barrel, our strategy is helping with innovative products to convince and gain new customers."

The company said that its new strategy of offering 99 round trip fares to all European destinations was proving popular since its introduction in April and the integration of Swiss was proceeding well.

The action plan introduced in 2004 to cut costs by 1.2bn was also on track, Mr Mayrhuber added, with savings of 985m realised by the end of March.

Analysts said that the operating results were below expectations for the quarter, but success in cutting costs meant that the group was still on track, adding that the first quarter was the least important period in the year for the group.

Competition from low-cost airlines such as Air Berlin, Ryanair and EasyJet have forced legacy carriers like Lufthansa to re-evaluate their business models. According to OAG, the travel data group, Lufthansa has lost 12 per cent of its domestic market since 2001 as budget carriers have increased their share from zero to 25 per cent.

Lower prices have forced the airline to look for innovative cost cuts, such as basing a few planes in Hamburg instead of with the central fleet in Frankfurt. As a result, the group has saved 25 per cent in maintenance costs, said Christoph Klingenberg, head of Lufthansa's 16 non-hub airports.

"We save in order to grow, not visa versa," said Mr Mayrhuber. " We are reinvesting savings in new routes, new products and attractive prices."

By early afternoon, the shares were down less than 1 per cent at 14.89.

Load-Date: May 12, 2006

Embraer wins first Phenom order in Europe

FT.com

3 May 2006 Wednesday 6:12:55 PM GMT

FINANCIAL TIMES

Length: 380 words

Byline: Doug Cameron in Chicago and John Murray Brown in Dublin

Body

Embraer on Wednesday secured the first European order for its Phenom business aircraft, highlighting the growing appeal of the new breed of very light jets to corporate users and air-taxi companies.

The Brazilian manufacturer plans to launch the four-seat Phenom 100 aircraft in 2008, and is sold out until 2010 after securing 50 firm orders from JetBird, a Geneva-based air-taxi start-up.

Embraer is involved in a four-way tussle for supremacy in the fledgling VLJ market, which relies on new technology and lean manufacturing techniques to produce aircraft far cheaper to build and operate than traditional executive jets.

Operators plan to maximise the efficiency of the aircraft by flying to smaller, uncongested airports, with passengers booking online and sharing aircraft to keep costs down.

Domhnal Slattery, JetBird's founder and chairman, said his operation would "certainly be 50 per cent cheaper" than rival private jet companies such as NetJets, and would be competitive with business fares on scheduled flights.

The company aims to start services from Zurich in 2009 and build its fleet to 100 aircraft by 2013, linking 800 destinations.

"Our business model is, as price-per-hour goes down, revenues go up the more people use the service. It's the Ryanair model," said Mr Slattery, a former aircraft financier.

The market for larger business jets has rebounded over the past year, with NetJets this week announcing plans to boost its European fleet by a third, and manufacturers such as Bombardier and Raytheon planning to lift production over the next two years.

The VLJ market is being closely watched because of its impact on traditional executive jets and the premium passengers prized by commercial airlines.

Aviation experts said the success of the ventures will hinge on pricing, while others are concerned that the introduction of thousands of new aircraft will simply add to air-traffic congestion and leave the current infrastructure unable to cope.

Embraer's main rival in the sector is New Mexico-based Eclipse Aviation, which has amassed more than 2,200 orders for its Eclipse 500 aircraft and aims to secure regulatory approval in the US by the end of June.

Its customers include DayJet, a new Florida-based air-taxi operator hoping to launch services this year.

Load-Date: May 4, 2006

Lex: Air Berlin

FT.com

2 May 2006 Tuesday 9:56:39 PM GMT

Length: 276 words

Body

Air Berlin's advertisements have been known to feature models in scanty bikinis. The proposed price range for its initial public offering is similarly cheeky. Europe's third largest low-cost carrier, which lost 116m last year, hopes to raise between 15 and 17.5 a share, or up to 400m, when it floats later this week.

The need for an equity injection is clear. Air Berlin is more highly leveraged than its larger rivals, Ryanair and Easyjet, and hopes to use some of the flotation proceeds to pay off debt. It will also buy new planes and add new routes. The airline hopes that expansion into Scandinavia and eastern Europe will help offset growing competition in its main markets of Germany and Spain.

The strategy is reasonably convincing. So too are Air Berlin's plans to increase revenues from so-called "ancillaries" such as car hire or hotel bookings, currently only 3 per cent of sales, compared with 15 per cent at Ryanair and 7 per cent at Easyjet. Other goals seem less realistic. Like every other carrier, Air Berlin hopes to increase the proportion of business travellers using its services, but achieving this will be challenging. Similarly, cutting costs could also prove difficult. Air Berlin's non-unionised workforce means labour costs are already less than 10 per cent of sales.

Morgan Stanley, one of the IPO co-ordinators, forecasts that Air Berlin will increase earnings before interest, tax, depreciation, amortisation and rent from 153m in 2005 to 250m this year. At the low end of the proposed price range, this implies an enterprise value to 2006 ebitda of 6.4 times. The discount to Easyjet's 8 times seems more than justified.

Load-Date: May 3, 2006

Iberia launch takes on low-cost rivals

FT.com

26 April 2006 Wednesday 6:15:40 PM GMT

FINANCIAL TIMES

Length: 335 words

Byline: Leslie Crawford in Madrid

Body

Iberia, the Spanish flag carrier, will launch a low-cost airline in October to compete with rivals such as EasyJet, Ryanair and Air Berlin, low-cost carriers that have cornered almost one-third of airline travel to Spain.

Iberia said on Wednesday its low-cost offshoot yet to be named would be based in Barcelona, the destination of 40 per cent of low-cost flights to Spain. Iberia will contribute 24m ($30m) to the new airline's 50m in start-up capital.

Four domestic partners, including ACS, Spain's largest builder, and Quercus, a private equity fund, will provide the remaining capital.

A survey published this week by the Institute of Tourism Studies in Spain showed that low-cost airlines brought 1.2m passengers to Spain in the first quarter of 2006 31 per cent of the total and a 6 per cent increase over 2005.

Traditional airlines, by contrast, have lost market share.

"We cannot leave this important market to our low-cost rivals," Iberia said.

Iberia said the new airline might seek a public listing in three to four years, depending on its financial performance. It will initially have five aircraft, building up to 30 by 2008.

The new company is seeking slots in Europe, particularly in Germany and the UK, and will be attending a global auction of landing slots to be held in Vancouver in June.

Iberia said the new low-cost carrier would be a stand-alone company with independent management, "so as not to contaminate the new airline with Iberia's higher cost structure".

Nevertheless, the launch of a Barcelona-based low-cost carrier is expected to allow Iberia to concentrate on its Madrid hub and its most profitable routes, especially long-haul flights to the US and Latin America.

Iberia said it would keep flying to European destinations, as they were important feeder routes that brought passengers for its long-haul flights.

One quarter of Iberia's long-haul passengers come from outside Spain. But the company said it would gradually eliminate its non-profitable domestic routes to cut costs.

Load-Date: April 27, 2006

BA cuts one-way air fares in Europe

FT.com

20 April 2006 Thursday 6:36:15 PM GMT

FINANCIAL TIMES

Length: 381 words

Byline: James Boxell in London

Body

British Airways has stepped up its battle with low-cost rivals such as Ryanair and EasyJet by cutting average one-way fares in Europe by 35-40 per cent.

The airline said one-way tickets on short-haul flights would now start at as little as GBP29 ($52). Typically, customers buying a one-way ticket from BA have been forced to pay between 70 per cent and 80 per cent of the price of a return fare. But under new plans, unveiled on Thursday, the one-way ticket will cost half the return fare.

Martin George, BA's commercial director, said the change was not a promotional offer but signalled a permanent change in the company's pricing strategy. "This is not a short-term gimmick, but a long-term commitment to our millions of customers," he said.

The low fare strategy, which will cover flights from London to more than 65 European cities, bears the imprint of Willie Walsh, BA's new chief executive.

Before joining BA last year, Mr Walsh turned round Aer Lingus, the ailing Irish airline, with a regime of corporate cost-cutting and lower fares.

EasyJet, BA's rapidly expanding low-cost rival, said on Thursday that BA needed to prove it could bring operating costs low enough to compete with no-frills airlines.

"Low fares are not sustainable without a low cost base," EasyJet said. Mr Walsh last month announced plans to cut costs by GBP450m in the next two years, with hundreds of job losses expected, to help achieve a 10 per cent operating margin by March 2008.

The airline is also struggling with high oil prices and was forced this week to increase the fuel surcharge on long-haul tickets from GBP30 to GBP35. It estimates this year's fuel bill will rise by GBP600m to GBP2.2bn.

BA said Thursday's price changes would affect about one in five of its yearly short-haul seats. The airline will still provide free food and drink on low-cost flights and free baggage allowances. It will also allow customers to change flight bookings on low-fare flights for a GBP30 fee.

BA's European short-haul operations were profitable last year for the first time since the mid-1990s.

Lufthansa, the German airline, also broadened its offer of cheap economy fares this month to compete with low-cost carriers. It is offering return fares from 99 (GBP69) from its German airports to 76 European destinations.

Load-Date: April 21, 2006

Southwest closer to going abroad

FT.com

20 April 2006 Thursday 11:14:15 PM GMT

FINANCIAL TIMES

Length: 506 words

Byline: Doug Cameron in Chicago

Body

Southwest Airlines on Thursday gave its clearest indication to date that the world's largest low-cost carrier would launch international flights for the first time.

The Dallas-based airline said it has furthered preparations to launch cross-border flights with partner ATA Airlines, though Gary Kelly, chief executive, said the domestic market would remain its primary focus over the next two years.

Southwest has provided the business model for the global expansion of low-cost carriers such as Ryanair and AirAsia, and is widely regarded as the most efficient airline in the US.

However, it has resisted the temptation to export its strategy for fear that the added cost and complexity of international operations would damage its 33-year record of unbroken profitability.

"I'm assuming some day we will," said Mr Kelly when asked on an analysts' call whether international flights were on the horizon.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.He said the deal with ATA, which flies to Hawaii and Mexico and has been examining transatlantic flights, had helped prepare its reservations system for international flights. "We've got a lot to do, but we're on track," he added, pointing to the need for technical and regulatory work to prepare aircraft for longer flights.

Roger King, analyst at CreditSights, said the remarks were a clear sign that the airline's business model was evolving. The pact with ATA calls for Southwest to market and support international flights by its partner by the end of 2009, though this could be amended.

Southwest closer to going abroad

The use of Southwest's marketing power on inter-national flights would intensify its competition with US legacy carriers, most of whom are shrinking their domestic networks in favour of more profitable overseas flights.

Mr Kelly said his airline still had more opportunities in the domestic market than aircraft, but on Thursday doubled the number of firm orders it had in a move that will increase its overlap with the legacy airlines.

Southwest started flights from Denver in January and plans to enter the Washington Dulles market this year. Both airports are major hubs for United Airlines.

Southwest said it would exercise options for 79 Boeing aircraft from 2007-2012, taking its order book to 140 aircraft and 116 options, as well as purchase rights for another 54 by the end of 2014.

Southwest and low-fare rivals such as JetBlue and AirTran account for almost all of the new aircraft due to enter the US domestic market and there is concern that their rapid expansion could dent the recent recovery in fares and revenues across the broader industry.

US airlines are generating record revenues to compensate for high fuel prices.CUTTABLEAmerican Airlines is cutting its domestic capacity by 4 per cent in the second quarter, and Delta and Northwest continue to shrink their domestic networks. All of the large legacy carriers are redeploying a capacity from the domestic market to more profitable international routes.

Load-Date: April 21, 2006

Ryanair to introduce Morocco flights

FT.com

14 April 2006 Friday 10:48:03 AM GMT

FINANCIAL TIMES

Length: 346 words

Byline: Kevin Done, Aerospace Correspondent

Body

Ryanair, the Irish low-cost carrier, is following the recent lead set by EasyJet of the UK and is opening up its first routes to Morocco.

The two no-frills carriers are starting to move on to longer routes to leisure destinations, that have tended to be the preserve hitherto mainly of the charter airlines flying for tour operators.

Ryanair announced the launch of a further nine routes from its German base at Frankfurt-Hahn airport including to Fez and Marrakesh in Morocco.

EasyJet said last month that it was launching services in the summer from Gatwick to Marrakesh, Luton to Istanbul, Luton to Rijeka in Croatia and from Basel to Istanbul.

Ryanair's new routes from Hahn, which it will start flying from late October, will include services to Granada and Murcia in Spain, to Trieste and Verona in Italy, Krakow and Wroclaw in Poland and Kaunas in Lithuania. It is also increasing its daily frequencies from Hahn to London from four to six and from Hahn to Oslo from one to two services a day.

The Irish airline, which has entered into a long-term agreement with Frankfurt-Hahn to make the airport one of its main bases in continental Europe, said that it would increase the fleet of aircraft based at Hahn from seven to nine from October.

It forecast that its annual passenger numbers at Hahn would rise by 1m to 4.3m in 2007. The new routes are part of plans announced last November to triple its presence at Hahn by 2012 to a fleet of 18 aircraft. Passenger numbers are forecast to rise by then to 8m with the number of routes served from Hahn rising to more than 50.

The latest expansion will expand the Hahn network to 36 routes.

The Irish carrier is also seeking to persuade the Polish government to open a secondary airport for Warsaw at Modlin, a former military base, in order to increase competition and to lower air fares.

Ryanair said that traffic volumes to and from Polish regional airports would also be greatly increased, if the Polish government were to abolish its policy of setting "rigid centralised tariffs," which placed the regional airports at a disadvantage.

Load-Date: April 18, 2006

European stocks fall on high oil prices

FT.com

12 April 2006 Wednesday 3:03:41 PM GMT

FINANCIAL TIMES

Length: 533 words

Byline: Neil Dennis

Body

European stocks recovered some poise by mid afternoon on Wednesday as Wall Street opened with modest gains, but trade was thin as the Easter holiday approached.

The FTSE Eurofirst 300 was flat at 1,367.05, while Frankfurt's Xetra Dax fell 0.1 per cent to 5,905.61. In Paris, the CAC 40 was 0.4 per cent lower at 5,094.48 and London's FTSE 100 was flat at 6,015.

Soaring commodity prices were the main concern as investors fretted over the inflationary impact of copper, zinc and oil near record highs, and the cost to manufacturers of raw materials. The FTSE Eurofirst 300 index fell more than 1 per cent in the previous session.

In New York, the main stock indicators opened a little higher, with the Dow Jones Industrial Average up 0.3 per cent to 11,120.52 and the Nasdaq Composite up 0.1 per cent to 2,312.83.

Stock exchange mergers were back on the agenda on Wednesday after Nasdaq announced late on Tuesday it had acquired a 14.99 per cent stake in the London Stock Exchange, having pulled out of a GBP2.4bn bid for the market operator last month.

The move came amid talk the LSE was considering such options as merging with Euronext, the pan-European stock market operator. Analysts were unsure whether Nasdaq's purchase represented the prelude to a hostile bid for LSE, or perhaps a strategic move to cash in should a bidding war emerge. The shares were bought at a 13 per cent premium to Tuesday's closing price.

European stocks fall on high oil prices

LSE shares jumped 13.9 per cent to GBP11.83. Nasdaq's move helped renew momentum in Euronext and Deutsche Borse, and returned the focus to their proposed union. Shares in Euronext gained 2.4 per cent to 67.80, while Deutsche Borse added 2.2 per cent to 113.20.

Although the bank sector was the strongest negative influence, there was some cheer to be had. France's Natexis Banques Populaires gained 4.3 per cent to 218.30 after Deutsche Bank re-iterated its positive view on the stock. The bank, which announced a merger with Caisses d'Epargne last month, has traded lower in recent sessions - this, said Deutsche, was largely due to lack of details on the merger.

Guillaume Tiberghien, Deutsche analyst said however: "We maintain a "strong buy" despite the uncertainties on the details of the deal. Indeed, we believe that the uncertainties relate to the amount of upside, not whether there is upside."

Oil prices continued to take their toll on airlines. Ryanair fell 1.9 per cent to 7.24, Lufthansa shed 0.8 per cent to 14.22 and Air France-KLM lost 2 per cent to 18.75.

Spanish constructor Sacyr-Vallehermoso fell 2 per cent to 25.96 on speculation it could soon launch a bid for Eiffage after reports of it raising its voting rights in the French construction company to 33.3 per cent. Above this level, Sacyr, which its seeking four seats on the Eiffage board, would be forced to launch a full takeover. Shares in Eiffage fell 1.3 per cent to 121.60.

KPN shareholders voted at the Dutch telecom group's annual general meeting on Tuesday not to back a proposal to adopt measures to defend against possible hostile bids. The board was denied the right to issue preference shares to outnumber any shares held by a potential suitor. Shares added 1.2 per cent to 9.63.

Load-Date: April 18, 2006

Qantas unveils ambitious growth plans for Jetstar

FT.com

11 April 2006 Tuesday 11:24:51 AM GMT

Length: 429 words

Byline: Virginia Marsh in Sydney

Body

Qantas has moved to stave off the growing competitive threat to its lucrative long-haul operations, announcing on Tuesday ambitious international expansion plans for Jetstar, the low-cost carrier it launched two years ago.

The Sydney-based group said Jetstar, which until now has operated only in the domestic and Trans-Tasman markets, would achieve lower costs than any of the international carriers operating in Australia.

The market share of international services for Qantas, Australia's dominant airline, has fallen significantly in the past decade because of increased competition, notably from Singapore Airlines and Emirates.

"Jetstar will be grown aggressively," said Geoff Dixon, Qantas' chief executive, saying the carrier would initially target Asia-Pacific but hoped in time to add Europe.

Mr Dixon revealed that the cost base of Jetstar which is headed by a former Ryanair executive was about 40 per cent less than that of the flagship Qantas carrier.

It is also about 30 per cent below that of Australian Airlines, the loss-making Cairns-based leisure subsidiary which the group said on Tuesday would be phased out.

Qantas set up the carrier in 2002 mainly to service the Japanese market but has decided it would be better served going forward by focusing on the Qantas and Jetstar brands. It has already used the latter for Jetstar Asia, a joint venture low-cost carrier that flies within Asia from its Singapore base.

Jetstar's international operations out of Australia, which will commence in November, will use Boeing's new 787 long-range, medium-capacity aircraft once they come into operation in 2008.

"Our intention is to recover the Qantas share in a number of different markets," said Alan Joyce, Jetstar chief executive.

Qantas, which has hedged about 30 per cent of its fuel costs for the 2006 and 2007 financial years, maintained it was well positioned to withstand difficult market conditions for the sector.

"We're well placed, probably better placed now I'd say than any international airline, to meet any major changes that may come in this industry through oil prices and cost structures," Mr Dixon said.

The airline also signalled it would maintain pressure on the government to ease restrictions on its ownership. The government recently again rejected Qantas's proposal that the 49 per cent cap on foreign ownership be lifted.

Mr Dixon said the airline would try to persuade the government that it would be able to safeguard its interests sufficiently by retaining a golden share.

"We are an airline that is attractive to foreign investors," he said.

Load-Date: April 12, 2006

Lower crude helps UK shares advance

FT.com

November 2, 2004 Tuesday 5:45 PM GMT

Length: 885 words

Byline: Michael Neill and Chris Flood.

Body

London's equity market moved higher on Tuesday, in spite of yet another low volume trading session. The FTSE 100 was up 0.4 per cent at 4,693.2, with the mid-cap FTSE 250 adding 0.7 per cent to 6,402.9. Trading volume was 2.1bn.

Weakness in the crude oil price supported the benchmark index, which has bounced from the almost one-month low it hit last week, to trade less than 14 points lower than its year high.

Dealers said the main reason for easing crude prices is selling by some of the big momentum hedge funds, which have taken profit and flattened their positions ahead of the US presidential election. “Because they are momentum funds, when a big one moves they all follow suit”, said one dealer.

The market was also supported by a firmer banking sector. Hit recently by interest rate worries and the slowing housing market, the banks are now being sought by tracker funds, buying ahead of the receipt later this month of the proceeds of the takeover of Abbey National by Santander Central Hispano.

Bid speculation (focussed yesterday on Geest, the fresh food group) also continues, even though comments of support for Justin King, chief executive of J Sainsbury, from members of the eponymous family, have dampened hopes of a takeover of the supermarket chain for the moment.

Lower crude helps UK shares advance

And Anais Faraj, strategist at Nomura, reckons the London market is cheap. On his model, the FTSE 100 is trading on a 2005 price/earnings ratio of 18.5, which is a near 23 per cent discount to its fair value.
Geest, the fresh and ready prepared food company, rose 3.7 per cent to 570p after Citigroup reiterated its “buy” recommendation and highlighted the increased probability of a takeover bid for the company.

Citigroup noted that Bakkavor, the Icelandic company which has built up a 20 per cent in Geest, had obtained authorisation to increase it share capital from its board. The investment bank also pencilled in a 650p bid price and pointed out that the six-month period during which Bakkavor was proscribed from making a full takeover offer ends on November 28.

J Sainsbury slipped 2.1 per cent to 261¾p after Jessica Sainsbury, whose father Sir Tim Sainsbury owns about 6 per cent of the supermarket chain, expressed support for Justin King, chief executive, and his new strategy for recovery.

As the crude price eased British Airways rose 1.3 per cent to 218¾p and ICI, the speciality chemicals group put on 1.1 per cent to 215½p.

Ryanair, the budget airline, added 16.7 per cent to E4.68 after it reported record net profits in better-than-expected interim results. Analysts highlighted that Ryanair now expects average ticket prices to fall by 5-10 per cent over the winter, compared with earlier guidance of a between 10 and 20 per cent decline. This could mean a less negative pricing environment for the sector through the winter, which could support easyJet earnings estimates. Shares in the rival budget airline rose 6.9 per cent to 170½p on heavy volume, which suggested Icelandair may have added to its 10.1 per cent stake..

Vodafone put on 0.5 per cent to 140½p after Merrill Lynch and Credit Suisse First Boston recommended shares in the mobile phone group. Merrill reckons Vodafone will increase its interim dividend to a top-of-the-range 1.9p, while CSFB highlighted a likely improvement in Vodafone Japan's competitive position against DoCoMo over the next six months. UK rival MMO2 added 0.9 per cent to 106¾p.

SABMiller, this year's star performer in the beverages sector, rose 1.1 per cent to 800p after CSFB reiterated its “outperform” recommendation and raised its price target from 785p to 875p. The broker said recent strong share performance reflected investors' increasing appetite for the brewer's presence in emerging markets.

Buoyed by tracker fund buying, HBOS put on 0.7 per cent to 744p, Barclays was up 2.1 per cent at 553½p, Lloyds TSB rose 0.8 per cent to 438¾p and Royal Bank of Scotland added 0.5 per cent to £16.47.

A glimmer of bid hope remained in Matalan, limiting the fall in the shares to 1.1 per cent at 225½p after the the discount retailer announced a 1.2 per cent fall in interim pre-tax profits, in line with expectations.

Nick Bubb of Evolution Securities said: “We still don't know what will happen in the short-term on the much mooted bid from Asda, but we still think the shares are a decent each-way bet as the recovery unfolds and that John Hargreaves' hopes for a 300p share price are not out of order.”

Kingfisherrose 2 per cent to 312¾p after Dresdner upgraded the DIY retailer from “hold” to “buy” and recommended switching out of Dixons, 0.6 per cent better at 174p.

RAC, Britain's oldest motoring organisation, fell 3.9 per cent to 640p after it warned restructuring costs from the acquisition of Axa's stake in their financial services joint venture would fall in 2004 rather than 2005 as previously indicated.

McBride lost 3.6 per cent to 148p after the maker of supermarkets' own-label household products suffered a small decline in UK first-quarter sales. But Ingrid Boon of Investec said: “In the long term the company is well positioned to benefit from retailer consolidation in Europe. Furthermore, due to McBride's superior cash generation we expect dividend growth for the next 3 years of 15 per cent, which is well covered at a minimum of 2.5x earnings."

Load-Date: June 29, 2018
