Plane Talk

December 2008

Media Owners

§Amidst gloomy talk of redundancies from **CBS Outdoor** and **Clear Channel** in the UK, it is heartening to see **JCDecaux** reporting a 3.7% increase in revenues worldwide for the nine months ending 30th September 2008. Within their transport division - which includes airports - growth was a respectable 10.2%, due in part to revenues flowing from Asia Pacific (China & India in particular) and Europe (Benelux and Scandinavia).

§**ZenithOptimedia's** authoritative Advertising Expenditure forecast predicts that out-of-home media will continue to gain market share and out-perform all other media, with the exception of the internet. Continued investment in improving formats both traditional and new, including digital, should ensure that out-of-home's share of total adspend worldwide will reach **6.8%**, while other media stagnate or even go into reverse. This is encouraging news against the prevailing backdrop of economic uncertainty, with 2009 global revenues forecast to decline by 0.2%.

§In the words of **Jean-Francois Decaux**, with the world's population gravitating towards living in cities (60% by 2030), the need for air travel is set to continue its growth, especially in emerging countries where transport links are critical.

§As media owners refine their digital offering (**JCD's** tie up with **Sky News** on UK roadside screens and their new digital networks in **Shanghai** and **Hong Kong** Airports come to mind), this investment looks set to continue. The take-up rate amongst existing and new advertisers indicates that this is one area which can drive continued growth in market share. Balancing the development of quality static signage with scrolling and digital sites continues to be another challenge faced by contractors the world over.

§A recent operational field visit undertaken by **PSI** around the **Asia/Australasia** markets has highlighted the various stages of development that airport media vendors are at in this region. In **China** for example, **JCDecaux** are operating exclusively at **Shanghai Airport**, but are on a roster of about 30 contractors selling media at **Beijing Airport**. There are 6 out-of-home vendors for **Beijjng's** new Terminal 3 alone!

§Closer to home, Eye Corp have a new General Manager to replace Jeremy Corfield, who has decided to return from whence he came. His replacement – John Rankin – has undertaken to carry out a UK version of the eye-tracking survey recently completed at Singapore, during 2009.

§As prefaced in last month's issue, JCD's "1 of a kind" segmentation study is doing the rounds. The 5 groups identified (**Hedonists, Professional Parents, Modern Aristocrats, Model Citizens & Rising Executives**) will be matched with the airport media considered most relevant to each target segment.

Airlines

§December saw a similar trend for airlines; passenger numbers down and potential airline mergers/acquisitions up. The two main responses airlines use in times of economic downturn were highlighted by two of Europe's biggest (and contrasting) airlines, **British Airways** and **Ryanair. BA** have chosen to hold their prices and cut their seat quotas, whilst **Ryanair** have pledged to reduce their already rock-bottom prices by a further 20%.

§The **UK Competition Commission** has today announced that - subject to a final consultation - **BAA** must sell **Stansted** and **Edinburgh** Airports, in addition to **London Gatwick**, for which the sale process is underway. If the Government adopts these recommendations they will become effective in February or March 2009. The **CC** also proposes to introduce measures to ensure that investment and levels of service at **Heathrow** meet the needs of airlines, passengers and airport users than is currently the case.

§This announcement throws into sharp relief the decision to be made in January for/against a 3rd runway at Heathrow. It also sends a mixed signal to foreign investors (in this case BAA's owners **Ferrovial**) whose money the UK appears quite happy to take, despite then obliging them 2 years later to sell off assets in which they have continued to invest since the acquisition.

§The impact of these possible changes on the business we do with these airports will no doubt be keenly debated over the coming weeks and months. We will be keeping a close eye on developments.

§The reduction in oil prices to around $45 per barrel has led to price control strategies in airlines like **Ryanair** appearing the most effective. However, if there were to be another surge in fuel costs, cuts in ticket prices could lead to massive losses.

§In a move redolent of **Ryanair's** approach, **Air Asia** announced £99 flights from London Stansted to Kuala Lumpur. With backing from Richard Branson amongst others, flights to Australia will be reduced by almost half when connecting from an Air Asia flight. Flights to Thailand could be cut by almost two thirds. The route will be unveiled in March 2009 and will appeal to back packers and those on budget business flights alike.

§**BA** has been nicknamed 'London Airways' as it no longer serves any international from anywhere outside London. However, with its 'bleakest' profits in years - a 92% fall in the last six months – this may be the least of its worries. Even the Middle Eastern giant, **Emirates**, and **Singapore Airlines**, the world's most valuable carrier - have reported huge loss in profits this year, with 88% and 36% declines respectively.

§Mergers are becoming increasingly common. Dubai's **Emirates** and its Abu Dhabi neighbour **Etihad** are reportedly considering a merger. **Ryanair** is reprising its interest in **Aer Lingus** and **BA** is in discussions with **Qantas** – not to mention Iberia and American. **Lufthansa** has finally acquired **Austrian Airlines** and **Virgin Atlantic** are interested in **bmi**, as are **Lufthansa.**

Airports & The Aviation Industry

§There is no good news to be found in November's global passenger figures, with only a few airports reporting increases in traffic. One such airport is **London City** with an increase of just over a percent, showing that though the airport is traditionally seen as a favourite amongst Business Passengers , it has also become a popular leisure airport and has bolstered via this category of passenger. Amongst those with the biggest losses in November are **Stockholm Arlanda** (-13.5%) and **Seoul Incheon** (-13.5%).

§Consistent with Middle Eastern airport developments and investment in tourism infrastructure, Oman's **Seeb** airport is on course to open its new terminal and VIP building by 2010. Its Duty Free precinct has already been refurbished and now includes a walk in Cigar Humidor, one of only a handful in airports worldwide.

§In Europe, the new **Brandenburg Airport** project in Berlin is underway and is set to open in 2011. However, in the UK the decision on whether **Heathrow** should have a 3rd runway has been postponed to early 2009. The recent demonstrations at Stansted highlight just how emotive this subject of airport expansion can become in what is a complex area.

§When examining plans for forthcoming expansion at international gateway airports, it is clear that the global economy affects passenger numbers directly, albeit in an immediate time scale. Major airport schemes can take 15-20 years to come to fruition, and a downturn in the economic cycle such as this does not have as prompt an impact.

§The challenge in 2009 is for airports to concentrate on driving more ancillary revenue from what may be a reduced passenger throughput. With this in mind, airport media owners will be under pressure from their landlords to maintain rates, which for advertisers, may increase their Cost per Thousand.

§PSI will continue to negotiate hard on behalf of our clients during what promises to be an interesting year… … … … …

Season's Greetings!