



March – April 2009

Media Owners



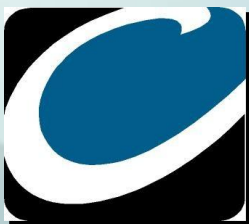
§**Heathrow's Terminal 5**, initially much-maligned and described as a national disaster/catastrophe/disgrace etc etc, is now one year old, having opened for business on March 27th 2008. Whilst not wishing to minimize its less than glorious first few days, the negative headlines now seem a distant memory. As a passenger facility, T5 is widely felt to be one of the best terminals anywhere, offering a high quality experience. The fact that 21 million passengers have already passed through it, is cause for some celebration, even though BA would have preferred a footfall closer to its forecast of 27 million.

§As a location for advertising displays its cathedral-like space is impressive, and there are some genuinely unique media propositions to be had. Long term sites have performed well, but it is in the digital possibilities that it has achieved "Best in Class" status. The fact that the client list for the T5 digital networks includes almost 30 advertisers who have never used airport media before, is proof of their worth.

§**JCDecaux** announced their 2008 full year revenues, reporting an increase of 2.9% overall. The transport divisions produced strong growth especially in China, USA and Scandinavia. The company's ambitions in regions such as the Middle East have recently been boosted by winning a 10 year contract for advertising on buses and taxis in Qatar.



§Against a background of global media spend reducing by 5.8% for the year, according to **Carat**, (7.1% for the UK), it is highly likely that some major changes to the dynamics of the media-owning community will take place. Major acquisitions for **JCDecaux** are on the agenda and we will be monitoring developments closely.



§In what appear to be 2 un-related but similar moves, **Clear Channel** have pulled out of the Japanese market completely, some 3 years into a 20 year bus shelter contract with Kawasaki City. **JCDecaux**, a joint venture with Mitsubishi Trading – is known to be fiercely competitive in this difficult market. At the same time In the UK, Clear Channel have sold their taxi advertising arm to a rival operator, **Taxi Promotions**. The new company, which will trade under the Taxi Media name, will have a fleet of 4,800 vehicles.





§In a follow up to March's issue, there is more news on the antitrust woes of **oneworld**; at the request of the European Commission, there is to be a full investigation into both **oneworld** and **Star Alliance's** co-operative agreements. The EC is looking into whether the alliances' 'extensive' cooperation, including jointly managed schedules, capacity, pricing and revenue management on transatlantic routes, might 'lead to restriction of competition'. The first probe will focus on Star Alliance (**Air Canada, Continental, United & Lufthansa**) followed quickly by oneworld (**British Airways, American Airlines and Iberia**).



STAR ALLIANCE

easyJet



§April has seen the release of research findings into the Low Cost Carriers sector, which now commands 53% of the market in the UK. Flag or legacy carriers share has dropped to an all time low of just 33%. **Ryanair** and **easyJet** have risen to dominate all short haul routes to and from the UK; **easyJet** now offer nearly 400,000 weekly seats to Europe, the most, with **Ryanair** just a couple of thousand behind. **BA** languishes in third with nearly 75,000 less seats. The UK public now sometimes rely on LCCs just to reach their destination (although in the case of Ryanair, this can mean a long onward journey to the actual city of choice) with cities like Bilbao, Granada and Carcassonne served solely by this type of airline.

§As reported previously, premium airline traffic has declined 21.1% since February with 89% of business travellers now electing to fly in "economy". The first class market has remained at 1% as the really rich have yet to feel the pinch. The spread have all but voted with their feet in the credit crunch. Nevertheless, travelling on business is likely to remain a priority. According to **JCDecaux** 73% of business passengers said that face-to-face meetings will be essential for growing business in 2009.

§The downward trend is not isolated to the skies; **Eurostar** has reported a 20% decline in business travel year on year, although they claim that this is due in part to the serious tunnel fire last September. Meanwhile, **Air France** and German train operator **Deutsche Bahn** are looking into launching a service to compete with Eurostar. If they do proceed a price war will probably ensue.



§**Ryanair** are cutting costs (up to Euros 40m per year) by scrapping airport check-in facilities across its entire airport network from October 2009. In the interim period, passengers will be charged up to £20 for the privilege of checking in at the desks. In addition, **Ryanair** have also announced the introduction from May of an unavoidable £5 fee per online booking too. It seems that every aspect of the process is an opportunity to charge passengers more, with the exception of their much publicised pay-to-pee scheme, which has now been shelved.

§**BA** have gone the other way and tried to implement more passenger-friendly perks to their service. The airline has announced that it will allow the use of mobile handset devices on its all-business class service from LCY to New York later in the year. Passengers will not be allowed to make phone calls but can email or text. **BA** commented that 'this is a great service for our customers who we know want to do business in the air or simply stay in touch.' But this announcement follows a recent survey of business travellers in which 90% of them believe mobile phones to be a 'menace' in the air.

BRITISH AIRWAYS 



Airports & The Aviation Industry

Most airports will be finding it an uphill struggle as they crawl into the second quarter. Despite oil prices slumping to a new low, global traffic fell 6% year on year in January according to ACI's official figures. There are isolated instances of growth, as reported in our last issue. **London City Airport** is one of them. It has also been voted second in a consumer survey of airport satisfaction, proving that small really is beautiful.



London Heathrow did better than expected, against all the close competition; Amsterdam (-8.9%), Frankfurt (-10.4%) and Paris (-6.1%), Heathrow's throughput declined only by 1.7%. Regionally, the Middle East was the only area to grow, up by 2.2% year on year in January.



The scrum for buying **Gatwick Airport** has produced a short list of contenders; **Citigroup**, **Global Infrastructure Partners** (funded by GE and Credit Suisse) who already own LCY, and **Manchester Airports Group** are all interested. It will be a close contest to see who manages to swing the bid, however, with the prosperity of London City incontestable, perhaps G.I.P. will be favourites. The eventual sale price is dropping as passenger numbers fall.

In **Gatwick** itself, bright new changes to retail areas have been unveiled for the summer holiday season. The South Terminal, in competition with Heathrow's Terminal 5, will see the entry of top brands Marc by Marc Jacobs, Chloe, Guess and Kurt Geiger upping the status of Gatwick as a luxury brands outlet. Following their success at Stansted, there will be an All Saints store at Gatwick.



Stansted has something else to smile about, with the new **Air Asia X** service which began on 12th March – the airport's first long haul low cost service. Passengers can fly to Kuala Lumpur to connect with other low cost services covering South East Asia and Australasia. With one-way tickets starting at around £199, backpackers, ex-pats and antipodeans flying home should find this an attractive option. Stansted's Commercial & Development Director said 'Stansted has become Europe's point to point airport of choice for the low cost market, so it's fitting that AirAsia X selected us as a gateway to connect its extensive route network out of Kuala Lumpur.'

In **China**, investment continues in small regional airports across the country, despite many operating at a loss. The government has pledged to invest \$29billion to expand 23 small airports and build a further 21. This is in addition to the other 48 new airports and planned expansion of 71 more. As China becomes more urbanised, the need for mobility across this vast country is ever greater and the Chinese understand that investment in aviation is key. Wang Jian of the China Civil Airports Association stated 'building more small airports is part of the plan to develop infrastructure, not whether these airports rake in the profits.' Indeed, air travel can only work for the rural parts of China, if there are airports there from which to fly.

Although new aircraft deliveries are holding up (easyjet & Ryanair are currently accepting a new plane on almost a weekly basis), it is quite possible that both **Airbus** and **Boeing** may end up with a negative order book for 2009 – i.e. cancellations outnumbering orders. Between them they have secured a grand total of just four new aircraft orders in the first quarter of 09, net of cancellations. 50 new planes have been ordered (28 for Boeing and 22 for Airbus). However, Boeing have had 32 cancellations, which combined with 14 for Airbus, makes for a total reduction of 46.

