



Plane Talk



May – June 2009

Media Owners



§Clear Channel Outdoor has retained the advertising concession for Birmingham International Airport in the UK. This is the only UK airport business within the Clear Channel portfolio and sits alongside their other European concessions at Athens, Zurich, Basel (interiors) and a host of US airports. Separately, they have set up a division to offer a range of OOH media opportunities across much of the Middle East, including some key airport markets, operating as a single source of media across multiple environments and vendors.

§JCDecaux, CBS, Clear Channel and Lamar (in the US), have all posted declining revenues for Q1 of 2009, ranging from 11.9% (JCD) to 25% (CC). A chilly outlook of a 15% decrease in revenues for the first half of 2009 is likely for the major outdoor media owners at present. A consequence of this is that development of new inventory (especially digital) will be reined in until business improves.

§A major new development for passengers at Barcelona will open next month. Confusingly called Terminal 1, it will cater for Star Alliance airlines from mid June, followed by oneworld on 1st September, and Skyteam on 1st December. Apart from the short term network media inventory, JCDecaux have yet to announce details of what advertising possibilities will exist in the new building, as its plans did not incorporate such things.



§In anticipation of the 2010 World Cup in Johannesburg, a new Arrivals Terminal has been opened, to be followed by a new Departures Terminal.

§All change at Kinetic, as the demise of the Aviator brand is finalised with the departure of key staff associated with the airport division of the WPP-owned specialist. The airport media function at Kinetic will now be combined even more completely with their other OOH activities.

§JCDecaux Airport and BAA have jointly announced the termination of the agreement spanning their 7 UK airport estate, with effect from April 2010. In the meantime, a re-structured contract will be created, with the prospect of new invitations going out to other operators to tender for individual airport concessions. This is in response to the changing shape of the UK airport sector and the forthcoming sale of Gatwick.

JCDecaux

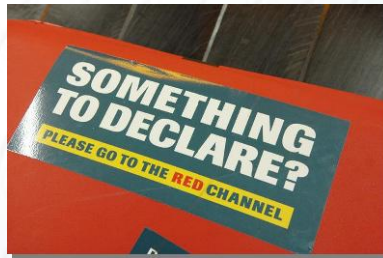
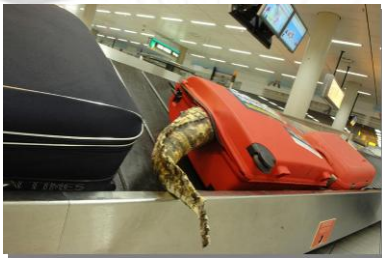


This will mark the first time in more than 20 years that mainstream media inventory will not be sold by the same contractor across all 7 BAA airports. It seems likely that JCD have been keen to renegotiate their deal for some time, although they would no doubt have preferred not to have to resign the contract in its entirety. More on this in months to come.



Media Owners cont..

§Within the context of BAA's smaller regional airport advertising concessions going to other contractors, it is possible that a company such as Airport Partners might bid to add say Aberdeen, or even Stansted, to its existing roster of regional hubs. This now includes the recently-won Norwich, along with Leeds Bradford, Newcastle, Bristol, Exeter, Prestwick, amongst others.



§Full marks to Schiphol Media for their entertaining use of "suitcase media" to publicise what passengers should declare on arrival in Amsterdam. The "Crocodile Suitcase" stunt won the Annual Masters of Media Award 2008, and deservedly so.....



Airlines

§European airlines carried 9.5% fewer passengers in Q1 2009 and despite posting growth of 12% and 6.3% respectively for April, Ryanair, easyJet (and BA) continue to have a gloomy outlook for the rest of 2009.

§In Asia, Singapore Airlines saw loads stabilise during April but will continue to discount fares for at least another 6 – 9 months in order to support flagging demand. More positively, China's 3 major airlines (China Southern, Shanghai and China Eastern) increased passenger numbers by 14.6% for Q1 2009, and all returned to profitability.



§On the airline mergers and acquisitions front, there seems to be little appetite within Iberia to pursue their putative tie-up with BA, as they focus on more immediate concerns, including their aim to save EUR125m by cutting up to 10% of their workforce.

§Lufthansa are edging towards their agreed acquisition of bmi, but have asked fellow shareholders to inject capital, so far without success. They are also working on taking over both Austrian Airlines, and Brussels Airlines.



§Seven years after the last failed attempt, the proposed alliance between BA and American Airlines, is set to run into difficulties with the US Dept. of Transportation. Virgin Atlantic have called for the US authorities to reject the deal on various grounds, including competition for slots at Heathrow.



§In a continued bid to streamline their operation and save costs, Ryanair are examining the possibility of passengers carrying their own luggage out to the aircraft, thereby removing the need for baggage handlers. If this can be achieved without affecting turnaround times, it could be that Ryanair cabin crew find themselves loading suitcases in future.



Airports & The Aviation Industry

§Following the UK Competition Commission's ruling in March, calling for Gatwick, Stansted, plus Edinburgh or Glasgow airports to be sold, BAA has exercised their right of appeal on the last day before the 2 month deadline. This is on the grounds that (a) the CC has not taken into consideration the economic climate and (b) it has not dealt with "apparent bias" from one of the CC panel members, who is understood to have been working as an adviser for one of the prospective purchasers of Gatwick. This may only work as a tactic to delay the inevitable break-up of BAA's empire, as the CC has declared its intention to stick to its guns.



§At the time of writing only 2 prospective purchasers remain in the chase for Gatwick, namely GIP – who own London City Airport, and a consortium that includes Manchester Airports Group.

§Passenger numbers through European airports are reported to have dipped by 12.4% in Q1 of 2009. BAA passenger numbers were down by 10% for the period, although revenue rose by 15.5% in line with increased levels of personal expenditure. In April, largely due to the timing of Easter, Heathrow grew by 2.6% and Edinburgh went up 3.9%, compared to the same month in 2008.

§For the same period, total (i.e. International and Domestic) passenger traffic fell by 11.6% at New York's airports, along with decreases in shipping, road usage and train occupancy within the area.

§Looking ahead, the US Commerce Department is forecasting a rebound in international travel to the United States in 2010 following a likely decline in 2009, the first since 2003. Projected growth for 2010 is 3%, followed by 5% annual increases through to 2013.

§Airports Council International (ACI) comments that there are signs that the passenger traffic decline may have reached the bottom of the downward trend. It points to data that shows that domestic travel, as well as international traffic in Asia Pacific, could lead to the beginnings of an upturn.



§In this context it is encouraging to see that Seoul Incheon Airport has, for the 4th consecutive year, been judged to be the world's best airport in the ACI's annual Airport Service Quality survey.



§For the first time ever, an Airbus plane assembled outside Europe has made its maiden flight. The A320, will be operated by China's Sichuan Airlines. Airbus aims to be producing 4 A320's a month in China by the end of 2011. They estimate that China will need more than 3,000 large aircraft between now and 2025, including 180 "super jumbo" passenger planes.