

Outdoor advertising

Vive la Vélorution!

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JCDecaux and Clear Channel Outdoor battle over urban bike-schemes

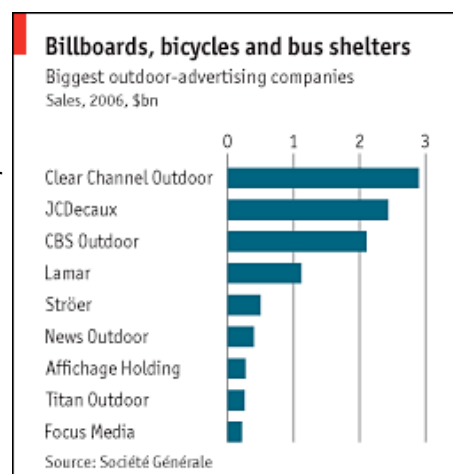
OUTDOOR advertising has become fiercely competitive and highly political. America's Clear Channel Outdoor and France's JCDecaux fought for months in negotiations with the office of the mayor of Paris, and in court, to snap up the contract for *panneaux contre vélos*—setting up a bicycle-rental scheme in Paris in exchange for exclusive rights to the French capital's 1,628 billboards. Although Clear Channel claims to have won “technically”, the French firm, whose founder, Jean-Claude Decaux, has close ties to the political establishment, emerged as the victor in practice this spring. JCDecaux set up the bike-rental system in record time and launched it on July 15th.

Vélib' (for *vélo*, or bicycle, and *liberté*, or freedom) has since taken Paris by storm. More than 10,000 bikes have been installed at 750 docking stations, which is half of the scheme's eventual capacity, says Jean-François Decaux, the son of the founder and co-chief executive of the family-controlled firm along with his brother, Jean-Charles. The bicycles have been used by 4m people so far, who have clocked up 100,000 rides a day. Last week Jean-François was in Moscow for talks with the mayor, who is keen to introduce a similar scheme there. The mayor of Chicago also expressed interest in importing Vélib' during a recent visit to Paris.

JCDecaux neither invented nor pioneered urban bike-operations. But Vélib' is on a different scale from any of its predecessors. Smaller schemes launched over the past four decades mostly failed because the bikes were vandalised or stolen. More recently both JCDecaux and Clear Channel Outdoor have launched urban bike-rental schemes in which users pay with their credit cards—which means they can be tracked down in case of abuse. Such schemes are now working well in more than a dozen cities including Vienna, Lyon, Brussels, Seville and Cordoba (run by the French), and Barcelona, Oslo, Stockholm and Rennes (run by the Americans).

Not all bike-rental operations are funded in the same way. The Paris scheme is entirely financed by JCDecaux, which is counting on rental fees and the sale of billboard advertising to cover its running costs and recoup the €90m (\$126m) investment required to set it up. (A one-day pass for Vélib' costs €1, a weekly pass costs €5 and an annual subscription costs €29 with no additional charge as long as each ride lasts less than 30 minutes. Users also agree to a €150 security deposit.) The city of Barcelona, by contrast, pays Clear Channel Outdoor to run its “Cyclocity” scheme and pockets the rental fees. It is another success, with a 3,000-strong bike fleet that will increase to 6,000 by March next year. It already has 90,000 registered users who pay a €24 annual subscription.

JCDecaux and Clear Channel Outdoor will continue to compete for new bike schemes as well as contracts for billboards, street furniture (public loos, bus shelters and the like) and transport (advertising in airports and



train stations). The French recently won a bike contract in Toulouse, and the American firm will launch a cycling scheme next month in Washington, DC. Both are lobbying hard for the right to set up a scheme in London.

In the past JCDecaux has repeatedly been accused of unfair play and Jean-Claude has twice been convicted of criminal offences in connection with contracts awarded by local governments. Both offences took place before the firm floated on the Paris stock exchange in 2001. Since then it seems to have played by the rules.

And now, with Jean-Claude's blessing, Jean-François and Jean-Charles (as well as Jean-Sébastien, a younger son, and a few more Jean-hyphens involved in the management of the company) could be on the verge of the biggest coup in the firm's 43-year history. On September 25th shareholders are expected to approve the leveraged buy-out by two private-equity companies of Clear Channel, the media company that owns Clear Channel Outdoor, at a shareholder meeting in San Antonio, Texas. If the private-equity buyers then put the outdoor-ad business up for sale, the French are likely to jump on it.

A merger of Clear Channel Outdoor and JCDecaux would make lots of sense, says Edouard Camblain, an analyst at Société Générale in Paris. JCDecaux is weak in America, where Clear Channel has 22% of the market. Clear Channel is also appealing thanks to its strength in China, one of the world's fastest-growing markets. And a merger would bring considerable economies of scale.

Yet buying Clear Channel Outdoor would not be easy. The takeover would probably be paid for with a combination of debt, new equity and possibly the sale of the JCDecaux's 10.5% stake in Bouygues Telecom. This would dilute the stake held by the family, which holds 72% of the capital, and some of the hyphenated Jeans would probably have to go. Combining the market leaders might also cause problems with competition watchdogs in Britain and in France, where the merged firm's market share in outdoor advertising would be almost two-thirds—and it would be the only advertising company providing trendy urban-bicycle schemes.