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Industry wins European Union approval for US Duty-Free Liquids on transfer flights

In a breakthrough development, the United States has become the latest country recognized by the European Union as having security measures in place at its principal airports that meet EU standards under Regulation (EC) 915/2007.

The approval, which took place last week following many months of negotiation, means that passengers arriving from US airports will no longer be required to forfeit their duty-free liquid purchases at EU, Norway, Iceland or Swiss airport security checkpoints when transferring to another flight.

According to *The European Travel Retail Council*, the approval, while welcome, is somewhat controversial. ETRC points out that the decision is only one-way - limited to those passengers traveling from the United States into the EU. For outbound passengers from the EU to the United States, current restrictions on liquid purchases will continue to apply.

Despite the limited scope of the deal, the ETRC says the decision is a boost for industry retailers and airports, which have been working together to encourage countries to apply for exemption status – the best available solution to the “transfer passenger” problem. It is also a crucial step in promoting the exemption status to other key routes and countries where agreements have not yet been finalized, opening up new channels into the Middle east and other Asian countries.

Regulation (EC) 915/2007 allows passengers from selected non-EU country airports to travel freely with their duty-free liquid purchases when transferring within the EU, once the European Commission has verified that they have taken the necessary steps to qualify for recognition. The pioneering example of Singapore took effect more than one year ago, on January 3, 2008.

ETRC Secretary General

Keith Spinks stated “The approval of the US is a welcome step forward for the duty-free industry and for passengers alike. We hope that this will soon lead to a reciprocal agreement between the EU and the United States and will be a positive example for other third countries seeking EU recognition.”

In a comment to *Travel Markets Insider*, **Michael Payne, Executive Director of Washington, D.C. based International Association of Airport Duty Free Stores**, says: “It [the E.U. recognition] is a positive step but in terms of the US allowing the same arrangement, that will not happen until the technology is widely available in the US to detect explosives which will not be, in my view, until 2010 at the earliest. Of course when that happens there will be no quantity restrictions on liquids, which is the solution we all want.”

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Top Luxury Spirits

The Luxury Institute has released its annual Luxury Brand Status Index (LBSI) for the wine and spirits industry. Rankings are derived from a survey of high net-worth consumers who rated more than 100 brands in 10 wine and spirits categories.

The top-rated brands in each category are: Champagne and Sparkling Wine - **Dom Perignon**; Cognac - **Courvoisier**; Gin - **Hendricks**; Liqueurs - **Grand Marnier**; Rum - **10 Cane**; Scotch - **Macallan**; Table Wines - **Opus One**; Tequila - **Patron**; Vodka - **Grey Goose**; and Whiskey - **Woodford Reserve**.

The institute records its findings after surveying a sample of 1,200+ American consumers online with an average weighted income of \$342,000.00 and an average weighted net-worth of \$2.9 million.

The LBSI asks respondents to rate the brands along four main “pillars” of brand stature: Consistently superior quality; Uniqueness and exclusivity; Social status as a product consumed by people who are admired and respected; and Self enhancement. The survey also measures three other critical “outcome” metrics.

Colibri Group shuts down without warning, blames economy

The Colibri Group, U.S. manufacturer of jewelry and cigarette lighters and a classic brand in travel retail, abruptly shut its doors and went into receivership last week.

According to reports in the jewelry and tobacco media, the shutdown announcement was made on Jan. 14 through an email to all employees. The message was a shock to the employees who learned that January 14, 2008 would be their last payday. After 80 years of business, Colibri said the shutdown was due to the economy.

Colibri products have long been a staple in duty free and travel retail, with a particularly strong following in Europe. In the US travel retail channel, the brand was currently represented by Texas-based Signature Brands, who reported a number of new listings. However, Signature Brands president Carolyn Morgan told *Insider* that Colibri recently advised her company that it had hired an in-house person from overseas who had duty free experience and, as a result, brought the sales in-house. Morgan noted that the company had also laid off a number of key players recently.

As reported in the JCK (Jewelers Circular Keystone) quoting the company website, The Colibri Group was founded in 1928 with the invention of the world’s first automatic lighter, and grew to become a multi-faceted renowned jewelry and accessories company. Its products were sold through 20,000 US outlets and the company had broad-based international distribution.

In 2005, when the Colibri Group was sold to a group of three investment firms, the company had sales of \$100 million. Now, the figure is about \$32 million, according to published reports, wrote JCK.

“The Colibri Group is simply out of money,” Timothy P. Gallogly, the company’s general counsel, told *The Providence Journal*.

Ironically, in November Colibri announced it had signed a deal with FremantleMedia Enterprises (a division of the producer of TV’s “American Idol”) to develop and produce a line of *American Idol*-branded men’s and women’s wristwatches, jewelry, accessories, clocks, and cell phone charms, which were to launch this month to coincide with the start of the show’s eighth season.

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Balvenie GoldenCask 14YO wins FDFA product award

The Balvenie GoldenCask 14 Year Old Single Malt Scotch whisky, produced by William Grant & Sons Ltd, has picked up its first travel retail award, winning the title of Best New Showcase Product at the 2009 Frontier Duty Free Association convention last week.

In addition, William Grant & Sons' local distributor, Peter Mielzynski Agencies Ltd, won the Best Duty Free Supplier award.

The new Balvenie, which is exclusive to travel retail and will first launch worldwide from February 2009, carries a recommended retail price of £40.

Rita Greenwood, William Grant & Sons Global Travel Retail Director, comments:

"We're absolutely delighted that Balvenie GoldenCask 14 Year Old has already received recognition from the travel retail industry in this way. It is an excellent start

for the product, which is exclusive to travel retail, and confirms our belief that the future lies in offering travelers something truly unique.

"It is especially pleasing to see the team at PMA, and in particular Jeff Orson, recognised for the fantastic work that they do to promote and develop our brands across North America and Canada Duty Free.

"The FDFA award joins an exceptional list of awards given to the range of The Balvenie Single Malt Scotch whiskeys, which also includes over one hundred whisky awards in the last ten years."

The Balvenie GoldenCask 14 Year Old was matured first in traditional oak whisky casks before finishing in casks previously containing golden Caribbean rum.

The result is an interesting new Balvenie expression with a fruity sweetness and subtle spice, reports

the company.

Presented in the traditional Balvenie tube, with an ABV of 47.5%, the introduction of The Balvenie GoldenCask 14 Year Old Single Malt Scotch Whisky will be supported by experiential promotions and tastings in airports.



EU approves US Duty-Free liquids on transfer flights

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"Nevertheless, the EU decision, which reverses their position of a few months ago, should help alleviate the problem of seizures for many EU-bound passengers from the US."

Payne goes on to say: "We need to await further guidance from TSA regarding implementation of the EU decision. Some draft guidelines were presented last Fall in anticipation of an EU ruling and IAADFS worked with ACI, IATA and others to find a workable approach.

"We'll need to revisit that activity," he concluded.

Insider will provide additional information as it becomes available. To read more on the EU decision, please log on to www.etr.org.

Haleybrooke adds Wine Chocolates to lineup

Haleybrooke International announces the listing of *Cocoa Farm Wine Chocolates* with *Duty Free World* inflight programs on *Iberia Airlines*, *United Airlines* and *US Airways*.

Haleybrooke International recently signed an exclusive Travel Retail agreement with *Farm by Nature*, the owner and producer of *Cocoa Farm Wine Chocolates*, which are produced in 100 gram bars in Merlot, Pinot Noir and Shiraz flavors. A six pack of the *Cocoa Farm Wine Chocolates* will retail for 29 euros on *Iberia Airlines* and US\$36.00 on *United Airlines* and *US Airways*.

HI President, Patrick Nilson, comments: "Our business is primarily wines and spirits but we have watched the growth of confectionary for many years. When we found the opportunity to represent *Cocoa Farm Wine Chocolates* it seemed a perfect match.

Roger Thompson, HI VP, points out how well a good glass of red wine goes with chocolate, the concept behind *Cocoa Farm Wine Chocolates*.

Christopher Gray, Business Development Manager for *Farm by Nature* adds: "Travel Retail is a very important channel and we appreciate the exposure that we can achieve as we build *Cocoa Farm* into an international brand."

For more information contact Patrick Nilson at p.nilson@haleybrooke.com, +1(201) 337-3663 or Christopher Gray at chrisg@farmbynature.com.au, +61 (3) 9212 8111.



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IATA: Worst revenue environment in 50 years

The International Air Transport Association (IATA) announced its forecast for 2009 earlier this month, predicting an industry loss of US\$2.5 billion. All regions, except the US, are expected to report larger losses in 2009 than in 2008, says IATA.

Forecast highlights are:

Industry revenues are expected to decline to US\$501 billion. This is a fall of \$35 billion from the \$536 billion in revenues forecasted for 2008. This drop in revenues is the first since the two consecutive years of decline in 2001 and 2002.

* **Yields** will decline by 3.0% (5.3% when adjusted for exchange rates and inflation).

* **Passenger traffic** is expected to decline by 3% following growth of 2% in 2008. This is the first decline in passenger traffic since the 2.7% drop in 2001.

* **Cargo traffic** is expected to decline by 5%, following a drop of 1.5% in 2008. Prior to 2008 the last time that cargo declined was in 2001 when a 6% drop was recorded.

* The 2009 **oil price** is expected to average \$60 per barrel (Brent) for a total bill of \$142 billion. This is \$32 billion lower than in 2008 when oil averaged \$100 per barrel (Brent).

“The outlook is bleak. The chronic industry crisis will continue into 2009 with \$2.5 billion in losses. We face the worst revenue environment in 50 years,” said Giovanni Bisignani, IATA’s Director General and CEO.

IATA also updated its forecast for 2008 to a loss of \$5.0 billion. This is slightly improved from the \$5.2 billion loss projected in the Association’s September forecast primarily as a result of the rapid decline in fuel prices.

The reduction in industry losses from 2008 to 2009 is primarily due to a shift in the results of **North American carriers**, says IATA.

Although North America was hardest hit by high fuel prices with very limited hedging and is expected to post the largest industry losses for 2008 at \$3.9 billion, an early 10% domestic capacity reduction in response to the fuel crisis has given the region’s carriers a head start in combating the recession-led fall in demand.

The lack of hedging is now allowing the region’s carriers to take full advantage of rapidly declining spot fuel prices. As a result, North American carriers are expected to post a small profit of \$300 million in 2009.

“North America will be the only region in the black, but the expected \$300 million profit is less than 1% of their revenue. 2009 will be another tough year for everyone,” said Bisignani.

All other regions will show losses:

Asia-Pacific carriers will see losses more than double from the \$500 million in 2008 to \$1.1 billion in 2009. With 45% of the global cargo market, the region’s carriers will be disproportionately impacted by the expected 5% drop in global cargo markets next year. The region’s largest market - Japan - is already in recession. And its two main growth markets - China and India - are expected to deliver a major shift in performance. Chinese growth will slow as a result of the drop-off in exports. India’s carriers, which are already struggling with high taxes and insufficient infrastructure, can expect a drop in demand following on from the tragic terror incidents in November.

Losses for **European carriers** will increase tenfold to \$1 billion. Europe’s main economies are already in recession. Hedging has locked in high fuel prices for many of the region’s carriers in US dollar terms, and the weakened Euro is exaggerating the impact.

Middle Eastern airlines will see losses double to \$200 million. The challenge for the region will be to match capacity to demand as fleets expand and traffic slows, particularly for long-haul connections, says IATA.

Latin American carriers will see losses double to \$200 million. Strong commodity demand that has driven the region’s growth has been severely curtailed in the current economic crisis. The downturn in the US economy is hitting the region hard.

African airlines will see losses of \$300 million continue. The region’s carriers face strong competition. Defending market-share will be the main challenge.

To [View Financial Forecast](#) (pdf), [click here](#).

Clue Trader gets new ID

Bristol, UK onboard sales specialist Onboard Retail Solutions, formerly known as Clue Trader, has appointed Dan Hayter to its board as its new Sales and Marketing director. Hayter is responsible for the overall growth and development of the company’s onboard retail solutions for airlines, railways and fast ferry operators, and is based at the company’s newly opened Heathrow office.

Company CEO Thomas Drohan says the new appointment is part of the strategy to take the company forward into a new phase of development.

“Ancillary revenue is becoming a vital factor in the profitability of airlines and rail operators ...” says Hayter. “Operators will need to become more inventive and forward thinking in the variety of goods and services that passengers can buy onboard. Using the latest POS technology linked to sophisticated onboard retail management software is utterly fundamental, which is where Onboard Retail Solutions comes in.”

Onboard Retail Solutions works with over 20 airline and rail customers worldwide, including British Airways, Cyprus Airways, Etihad Airways, FlyBE, National Express, Monarch Airlines, Thomson Airways and Royal Air Maroc.

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