

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • APRIL 22, 2013

OVERALL TRAFFIC FLAT FOR MARCH AND DOWN FOR SIX MONTHS

1. **Overall trans-Atlantic traffic is not picking up.** Traffic failed to rise in March for the sixth consecutive month—growth was zero—according to the combined reports from the six leading carriers. Combined capacity was down 3.0 percent and the resulting combined load factor was 85.2, up 2.5 points from a year ago. The latter may be happy news for airlines, but it means more and more people can't make the trip when they want to.

United and Delta led the way in slashing March capacity, -10.9 percent and -9.4 percent, respectively; only Lufthansa significantly added to seats, +8.4 percent. See the **Trans-Atlantic Traffic Trends** chart.

U.S. visits to Britain were down in 2012, in a surprise. See No. 4 below.

787 CLEARED FOR TAKEOFF, SEQUESTER DELAYS DEVELOP

2. **Airlines can fly Boeing Dreamliners** as soon as they have been refitted with redesigned lithium batteries—perhaps as early as next month. And they will be able to fly extended-range routes. Boeing also has the go-ahead from the Federal Aviation Administration to resume deliveries of 787s with the new batteries.

The new battery design passed more stringent tests on the ground and performed without problem in test flights earlier this month. The FAA green light comes even though the National Transportation Safety Board has yet to determine why original

**NEXT ISSUE: U.S. Traffic to Europe in March
Latest on Summer Fares**

batteries aboard two 787s began smoking in January, with one of them, on the ground, bursting into flames. The 787 was grounded worldwide after the second, mid-flight, incident over Japan.

United and Polish LOT were the only trans-Atlantic airlines to have received 787s before the grounding. LOT flew the first and, so far, only commercial trans-Atlantic flight from Warsaw to Chicago's O'Hare, where the plane awaits a new battery before it can return home and resume service.

3. **The FAA projected passenger delays this week as it began furloughing air-traffic controllers** under the federal sequester cutbacks. From now until the Sept. 30 end of the federal fiscal year, roughly 10 percent of controllers will be furloughed each day, affecting the busiest airports directly and smaller airports indirectly.

Planes could be kept on the ground before takeoff or directed into a circling pattern while in the air. Delays for passengers on the ground could range up to several hours, the FAA said.

The controllers' union and Airlines for America are asking federal courts and Congress to exempt the controllers from the sequester cutbacks that automatically went into effect March 1.

4. Another sign that trans-Atlantic travel is less than robust: **Total U.S. visits to Britain in 2012 fell short of estimates at 2.84 million**, according to final numbers issued this month by VisitBritain. In January, it appeared that the total would exceed 2.9 million for the first time since 2008. Instead, it fell six thousand short of the 2011 total (and far short of the 2000 record of 4.2 million).

Visits and overnights were revised downward for each of the first three Qs. Spending was revised downward for the 1st and 2nd Qs, and held even for the 3rd. For the year, U.S.-visitor spending totaled £2.44 billion or 3.1-percent more than in 2011.

The data is drawn from monthly surveys conducted by the Office for National Statistics; they are considered the most reliable tourism statistics in Europe.

The 3rd Q saw the steepest decline in visitors and spending, -4 percent in both cases, but also the greatest quarterly gain in revenue, +9 percent. That was the period of the London Summer Olympics.

	Visits	Nights	Spend
U.S. Visitors to Britain	2.84 million (+0%)	23.57 million (+1.0%) 8.3 nights/person (+1.2%)	£2.44 billion (+3.1%) £858/person (+3.4%)
All Overseas Visitors to Britain	31.08 mil (+0.9%)	230.19 million (-2.1%) 7.4 nights/person (-2.6%)	£18.64 billion * (+3.6%) £609/person (+4.3%) * record annual spend

Note: U.S. visits to all of Europe were up 3.9 percent for all of 2012, but slowed in the fall and are down 2.8 percent for the first two months of 2013, according to U.S. Dept. of Commerce figures.

5. **Separately, Visit Scotland said U.S. visitors were down 5 percent** to 414,000 in 2012, but that they spent 13 percent more, for a total of £352 million. Overall traffic

and spending were down, both from overseas and from Britain. The Year of Natural Scotland is on for 2013; the Ryder Cup will be played at Gleneagles in 2014.

JOBS UP TOO LITTLE, CONFIDENCE DOWN

6. **The U.S. jobs report for March threw** cold water on early-year optimism over the U.S. recovery. Only 88,000 new jobs were reported. Unemployment ticked down to 7.6 percent, but only because fewer people were looking for work. Big cuts in retail and postal jobs were cited, with sequestration expected to cut more deeply in April and May. Bright spot: Job increases for January and February were revised upward by a combined 61,000 or 17.2 percent.
7. **The jobs report chilled stock markets**, with the Dow closing at 14,567 today (down from its April 11 record of 14,877); news of slower growth in China added to the caution. More positives and negatives: **The price of oil dropped to \$88** per barrel; the lowest since last summer, while **gasoline is down to \$3.52** a gallon (national average).
8. **Consumer confidence continued to drag.** The Thomson Reuters/Univ. of Michigan index plunged to 72.3 in early April from a revised 78.6 in early March (but that revision was an unusually large bump up from the preliminary 71.8). Previously, the Conference Board index dropped steeply to 59.7 in late March from a revised 68.0 in late February.
9. **The dollar dropped vs. the euro to €0.76** from its 4½-month high of €0.78 on March 28. It was edging up slightly this week.

LUFTHANSA CANCELS MOST FLIGHTS, AMERICAN LOSES LESS,

10. **Lufthansa was forced by a one-day strike to cancel all but a handful of flights today, including trans-Atlantic departures from the U.S.** Many U.S. departures will not resume before Wednesday. The union, Verdi, is asking for a 5.2 percent wage increase for its 32,000 ground workers. Lufthansa said its latest offer would provide 3 percent-plus increases over 2½ years for select categories. It's the second and most costly one-day strike in the course of months of negotiations.
11. **American Airlines lost \$341 million in the 1st Q**, its best opening quarter in some time, as reorganization costs began to decline (to \$349 million). Revenue was \$6.1 billion (+1 percent). A year ago, American lost \$1.7 billion in the 1st Q. US Airways, its upcoming merger partner, is expected to report a profit for the quarter this week.

12. **American launched new service April 11 from Chicago to Düsseldorf**, just days after partner Air Berlin began flying from Berlin to Chicago. Each partner benefits from wide networks operating out of home-country hubs. U.S.-Germany service is dominated by United and Lufthansa's Star Alliance joint venture.

13. U.S. Customs and Border Protection agents will begin phasing in **a new all-electronic documentation system April 30 that will eliminate paper I-94 forms** for incoming tourists and other non-immigrants.

For many years, arriving visitors have had to fill out the I-94 forms, leaving one copy with Immigration or Customs on arrival and saving another copy to turn in upon departure. This has continued even with institution of the Electronic System for Travel Authorization required before departure of most Europeans.

Under the new system, agents will stamp passports of arriving visitors with date of admission, class of admission and date of required departure. Visitors can also see this information online at CBP.gov/I94.

Phase-in begins at Chicago, Charlotte, Miami, Orlando and Las Vegas airports, and the following week extends to Boston, New York, Atlanta, Detroit and six more gateways. Then to Seattle, San Francisco, Los Angeles, San Diego and four additional gateways the week of May 14, and finally to all other airports and seaports the week of May 21.

14. **North Atlantic flights will run into more frequent and more severe air turbulence** in coming decades, according to a British study relying on computer simulations.

Severe turbulence already costs airlines \$150 million in annual aircraft repairs, the study said. Specifically, the University of Reading report in *Nature Climate Change* said carbon emissions are expected to double by 2050, which would change the climate dramatically. North Atlantic airspace with severe turbulence would more than double by 2050, and turbulence could increase in strength by as much as 40 percent, requiring pilots to make more frequent and longer detours.

15. **Carnival Corp. said it will spend at least \$300 million** (and it may be twice as much) **on backup power systems** for cruise ships in the wake of the *Carnival Triumph* fire and fleet-wide inspections. The *Triumph* incident came on top of the January 2012 *Costa Concordia* foundering, which depressed Carnival revenues all through last year and into this spring; the company had to offer discounts to fill ships, particularly in Europe.

Carnival also said it will reimburse the U.S. government for naval and Coast Guard assistance to the *Triumph* (costing as much as \$780,000) and, perhaps, for even costlier aid to the *Carnival Splendor* when that ship lost power and had to be towed to San Diego in 2010. Meanwhile, Carnival's Costa subsidiary agreed to pay a fine of

€1 million for the *Concordia* wreck in which 32 people died. Criminal proceedings against the captain and other officers are moving forward.

16. **Royal Caribbean said its latest mega-ship, *Quantum of the Seas*, will 'debut' in the fall of 2014** with sailings from Bayonne, NJ. Under construction in Germany's Meyer Werft yard, *Quantum* is the first of a new class of 18-deck, 168,000-ton ships carrying 4,180 passengers each; sister ship *Anthem* will follow in the spring of 2015.
17. **Arthur Frommer is running Frommer's guidebooks** for the first time since 1977, when he sold them to Simon & Schuster. Frommer bought the brand back from Google (no price or terms disclosed), which took over the books last year from Wiley to combine their content with Google Local Pages. Google wasn't interested in continuing with printed guidebooks, but Frommer said he would be publishing printed books as well as e-books, and running the Frommers.com site. It all started for him in the Army when he wrote a European guidebook for soldiers that he developed into *Europe on \$5 a Day* (1956).

Guidebooks on paper are down, from \$125 million worth in 2007 (for the top five publishers) to \$78 million in 2012.

18. **Registration for the Visit Europe Media Exchange is open.** VEMEX will start in **Toronto** on Friday, Nov. 15, at the Toronto Board of Trade, then go to **New York** on Monday, Nov. 18, at the Harvard Club; and to **San Francisco** on Wednesday, Nov. 20, at the Sheraton Fisherman's Wharf.

Go to the 2013 website at **VisitEuropeMediaExchange.com** for information and registration.

#

Neil S. Martin

TransAtlanticReport.com

Donald N. Martin & Company

Email: TransAtlantic@dnmartinco.com

646/ 250-8704

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE

Trans-Atlantic Traffic Trends, March '13

Compared to previous year, +/- percent

RPMs	April '12	May '12	June '12	July '12	Aug. '12	Sept. '12	Oct. '12 **	Nov. '12 **	Dec. '12	Jan. '13	Feb. '13 ***	March '13	ASMs (March '13)	load factor
Delta (Sky)	- 6.1	- 4.4	- 5.5	- 6.7	- 5.1	- 0.3	- 3.0	- 3.1	- 4.3	- 6.4	- 8.8	- 5.7	- 9.3	84.6
Air France/ KLM (Sky)	+ 2.3	- 1.8	+ 5.6	+ 2.0	+ 0.0	+ 1.1	- 3.3	+ 1.0	- 0.1	- 0.7	- 1.8	+ 0.5	- 0.6	89.1
United (Star)	- 6.0	- 1.7	- 1.4	- 5.8	- 2.4	- 5.3	- 9.6	- 7.2	- 4.6	- 4.7	- 9.1	- 6.8	- 10.9	82.0
Lufthansa/ Swis/ Aus. (Star)	+ 1.5	+ 2.0	+ 3.8	+ 2.1	+ 4.2	+ 0.4	- 1.0	+ 3.4	- 0.8	+ 2.2	+ 4.6	+ 9.8	+ 8.4	78.4
American (One)	- 2.7	- 9.6	- 5.5	- 3.3	- 0.6	- 0.7	- 8.5	- 7.8	- 4.9	- 6.8	- 11.0	+ 5.0	- 0.2	83.2
British Airways/ Iberia (One)	+ 6.8	+ 6.9	+ 6.0	+ 4.1	+ 6.2	+ 6.9	+ 2.4	+ 3.1	- 1.9	+ 1.2	- 1.4	- 1.0	- 4.2	79.7
Leading-carriers combined *	- 0.7	- 1.4	+ 0.5	- 1.3	+ 0.4	+ 0.4	- 3.8	- 1.8	- 2.8	- 2.5	- 3.7/-0.2	0.0	- 3.0	85.2
All carriers (Airlines for America + Association of European Airlines)	+ 0.0	- 1.5	- 1.3	- 0.5	+ 1.9	+ 1.4	- 3.5	- 1.1	- 1.5	- 1.0	- 3.0/+0.4			
U.S.-citizen departures to Europe, Dept. of Commerce	+ 3.2	+ 4.8	+ 4.7	+ 0.8	+ 7.6	+ 1.8	+ 1.0	+ 0.2	+ 1.5	- 2.9	- 2.7/+0.8			

* Beginning with February '13, "Leading-carriers combined" gives percent +/- in combined total RPMs. Previously given is an average of the percent +/- reported by each of the six carriers. ** Hurricane Sandy reduced flights and traffic to and from U.S. Northeast Oct. 29-Nov. 3. *** February '13 had one day less than February '12, thus average DAILY combined RPMs were down only 0.2 percent.

Note: Figures include traffic (Revenue-Passenger Miles) generated on both sides of the ocean. Lufthansa figures include traffic between Europe, and Canada, Mexico, the Caribbean and South America; Air France/ KLM figures include the same, minus the Caribbean; British Airways/ Iberia figures are for North America only. U.S.-carrier figures include trans-Atlantic traffic beyond Europe. Despite these caveats, they remain our best immediate trend indicators. Capacity is measured in Available-Seat Miles.