

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • APRIL 30, 2012

U.S. VISITS TO EUROPE UP 19% IN FEBRUARY (REALLY?)

1. **Visits by Americans to Europe jumped 19.0 percent in February**, according to the latest figures from the U.S. Dept. of Commerce (or 14.9 percent when accounting for February's extra day). That compares to an increase of only 2.1 percent for January, year-over-year. Part of the explanation is that U.S. visits were way down in February '10 and '11. See the **Volume of U.S. Travel** chart.
2. **Trans-Atlantic fares seem to be quite stable**, when April quotes for peak-season travel are compared to March quotes for the same dates, and when compared to year-ago quotes. "Stable" does not mean "low;" it does mean that big jumps expected with high fuel prices haven't continued. See No. 6 below.

THE U.S. GROWS, SLOWLY; EUROPE SLIDES

3. **The U.S. recovery slowed in the 1st Q, GDP growing 2.2 percent**, down from 3.0 percent in the 4th Q. Consumer spending accelerated, but government spending fell, including on defense. U.S. growth still outpaces that of most of Europe, where Britain joined Spain and other southern and central nations in recession in the 1st Q, and where even the Netherlands was decelerating toward zero.

COMING MAY 16: OVERALL TRANS-ATLANTIC TRAFFIC, and U.S. VISITS-TO-EUROPE IN MARCH

4. **The euro-zone continued to struggle with its debt spiral.** Austerity programs have yet to turn the tide toward growth in Greece, Italy and Spain, which they weren't really expected to do. But neither have they brought down government debt or convinced bond buyers to accept lower yields, which was very much the intent of the austerity drive. Instead, tax revenue and consumer spending have plunged as wages were reduced and public workers lost jobs.

Political opposition to the austerity drive is growing rapidly and may next cost Nicolas Sarkozy and his party the presidency of France. That, in turn, threatens the French-German partnership on the debt crisis and the euro.

5. Other economic positives and negatives: **The Dow continued to float above 13,000.** **Sales of new and existing homes picked up again** in March and, although prices declined again, they did so at a slowing rate. **U.S. gasoline prices dropped 11 cents a gallon to \$3.82** for regular over the past two weeks, while oil remained stable at around \$105 a barrel. That eased the pressure on airline fuel bills. One reason: Reduced tensions as hopes rose for negotiations in the crisis over Iran's nuclear plans.

Consumer confidence dropped again, slightly, from a revised 69.5 in late March to 69.2 in late April, according to the Conference Board index. Previously, the Thomson Reuters/ Univ. of Michigan index fell from a revised 76.2 in March to 75.7 in early April.

The dollar has dropped to €0.754, or by a little more than a eurocent over the past two weeks.

AIRFARES ARE HIGHER BUT STABLE, AMERICAN POSTS BIG LOSS

6. **Peak-season airfares seem to be flattening, not rising**, compared to March quotes. Even New York-London is down slightly from the March quote, despite the Olympics (July 27-Aug. 12). Nor are fares running far ahead of quotes from a year ago, with the exception of New York-London, up 13.6 percent in July.

Here are low fares quoted this week by Travelocity for non-stop, roundtrip flights on major carriers, taxes and surcharges included:

travel dates:	May 16-23 (compared to late Mar. quote)	June 13-20 (compared to late Mar. quote)	July 11-18 (compared to May '11 quote)	Aug. 15-22 (compared to May '11 quote)
New York-London	\$ 822 (839)	\$1,183 (1,210)	\$1,183 (1,041)	\$1,082 (1,041)
Chicago-Paris	1,253 (1,294)	1,348 (1,398)	1,448 (1,461)	1,262 (1,246)
San Fran.-Frankfurt	1,282 (1,039)	1,549 (1,550)	1,589 (1,850)	1,472 (1,546)

7. Two of the three leading U.S. trans-Atlantic airlines posted losses for the 1st Q. **Delta's net income was \$124 million**, the profit margin provided by fuel hedges and a \$39-million gain involving the swap of slots at LaGuardia and National airports with US Airways. Revenue was up 8.6 percent to \$8.4 billion.

United lost \$448 million, blamed in part on the difficult early-March merger of the United pricing and reservation systems (and websites) into those of Continental, which held revenue down. Corporate merger expenses accounted for another \$134 million of the loss.

American lost \$1.7 billion (compared to a \$436-million loss in the 1st Q of last year), despite a 9.1-percent revenue increase to \$6 billion. Bankruptcy-reorganization expenses accounted for a stunning 82 percent of the loss.

While 1st Q results for European carriers are yet to be posted, Lufthansa told workers two

weeks ago that it is planning to save money by eliminating first class on many long-haul aircraft, freezing capacity and dropping several routes to Asia.

8. **US Airways is pushing hard to force a merger with American.** Last week, US Airways won the support of the three leading American unions (pilots, flight attendants and mechanics) by promising to reduce projected job losses from American's bankruptcy reorganization to 8,000 (American wants to eliminate 14,000, although numbers have shifted). The unions hold seats on the board of creditors; US Airways also sought out other creditors, including unsecured bondholders.

American is resisting the US Airways drive as it prepares to file a complete reorganization plan by September.

If US Airways is successful, the new airline would be the world's largest, slightly ahead of United; presumably US Airways would dominate the leadership.

EUROPE CRUISE BOOKINGS STILL DOWN, BRAND USA SPINS 'LAND OF DREAMS'

9. **The *Costa Concordia* fallout continues:** Royal Caribbean reported 1st Q net income of only \$47 million on revenue of \$1.8 billion. Revenue was up 5.9 percent, year over year; net income was DOWN 40 percent. The cruise line blamed the decline on a double-digit drop in bookings following the Jan. 13 foundering of the *Concordia*, owned by a Carnival subsidiary.

The line said 2nd and 3rd Q bookings—for the vital high season—are also lagging, although by a narrowing percentage. Prices are also down for European cruises and for European passengers, but stable or up in other regions.

10. **Viking River Cruises ventures to sea.** The line, which is rapidly expanding its river fleet, especially in Europe, has ordered construction of two 45,000 ton, 1,000-passenger, ocean-going vessels. The first ship would launch in 2014.

11. As of Tuesday, **coffee-shop pot smoking will no longer be legal for foreigners visiting the Netherlands' southern provinces.** And the ban is set to expand to Amsterdam and the north next year. To smoke marijuana legally under the rule, one must be a Dutch resident holding a new "weed pass."

Amsterdam is fighting for an exemption. Surveys have found that 23 percent of its visitors drop in on the pot-selling coffee shops (which cannot serve alcohol).

12. **Brand USA is getting positive response to 'Land of Dreams,'** the theme song written by Rosanne Cash for the big drive to market travel to the U.S. in key foreign markets, beginning this week with Britain, Canada and Japan.

The campaign will use TV spots; digital, billboard and print advertising; and, of course, social media to reach millions of potential visitors. "Our goal is... rekindling the world's love affair with the USA," said Brand USA CEO Jim Evans. The basic line: "Discover this land, like never before."

Brand USA keeps saying the U.S. "never had a coordinated effort dedicated to inviting travelers to come and visit us." That's not correct; but it certainly never had a tourism promotion FUNDED like this one: \$12.3 million for the first three months, and as much as \$150 million for the year (most of it from the fee on visa-waiver visitors, most of them from Europe). The campaign expands to Brazil and South Korea in the summer, and to additional unnamed markets later in the year.

Brand USA says that every 35 additional foreign visitors support a new U.S. job. Around the world, tourist offices have been starved for the funding they believe can generate big gains in traffic, revenue and jobs for their countries. This will be an important test of that conviction. Download the song at DiscoverAmerica.com; also check TheBrandUSA.com.

13. **The U.S. projects 65.4 million foreign visitors this year**, which would then be the third record year in a row, according to Commerce Secretary John Bryson, speaking at the International Pow Wow in Los Angeles. Tourism, he said, will play a leading role toward reaching the Obama administration's target of doubling U.S. exports by the end of 2014.

Foreign visitors generated a record \$153 billion in receipts last year and a trade surplus of \$43 billion. The overall U.S. trade deficit was \$558 billion.

DEMEX IN NEW YORK AND CHICAGO

14. The next and 10th edition of **the Visit Europe Media Exchange** takes place the week of Oct. 22 in **New York** and **Chicago**.

DEMEX will bring together more than 140 pre-approved journalists with representatives of national, regional and city tourist offices, rail and other transport services, and major European attractions.

With a second year of growth projected for 2012, the year 2013 has the potential to score major gains in U.S. traffic to Europe. DEMEX will be essential in getting the early message out to media who count. For information, send an email to DEMEX@dnmartinco.com.

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VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS

FEBRUARY 2012

From monthly air-travel reports issued by the U.S. Dept. of Commerce, Office of Travel and Tourism Industries. Totals are for U.S. citizens departing U.S. gateways on flights with first arrival in Europe (including the Russian federation).

Since July 2010, data has been collected from airlines before departure by the Dept. of Homeland Security via the new Advance Passenger Information System (APIS). This more accurate system has revealed that U.S.-citizen departures were previously overcounted, by as much as 20 percent per month. Thus the significant minus figures reported for July 2010 through June 2011 do not reflect actual decreases of that magnitude. Indeed, independent data indicates that traffic increased through much of that period.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% change from 2011
January	590,697	671,177	713,703	748,042	734,184	739,893	753,241	668,221	664,807	568,471	580,304	+ 2.1
February	598,234	591,131	655,434	649,274	638,319	626,434	668,385	568,968	544,768	414,958	493,931 *	+19.0/+14.9
										983,429	1,074,235	+ 9.2
March	910,848	808,794	982,275	992,917	1,025,478	1,041,834	982,679	847,090	852,371	773,308		
April	769,269	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	806,302		
May	1,080,818	979,655	1,229,897	1,280,025	1,368,704	1,386,300	1,318,802	1,241,375	1,232,279	1,157,885		
June	1,305,355	1,205,280	1,432,810	1,463,636	1,585,248	1,607,434	1,521,619	1,397,017	1,545,950	1,431,960		
July	1,012,332	1,209,944	1,293,447	1,383,904	1,450,854	1,467,596	1,334,096	1,383,704	1,239,156	1,288,805		
August	867,279	1,049,258	1,106,643	1,096,385	1,159,246	1,235,953	1,122,497	1,204,945	969,046	1,047,001		
September	980,829	1,055,536	1,169,280	1,208,755	1,245,357	1,297,046	1,180,564	1,163,697	1,122,203	1,119,104		
October	805,403	872,409	897,683	941,909	980,856	1,038,804	916,328	920,191	831,219	844,142		
November	745,117	785,206	821,219	811,118	816,098	856,815	765,079	748,994	640,639	644,948		
December	830,737	888,149	900,717	902,504	913,995	954,698	888,886	845,496	688,213	729,039		
	10,496,918	10,796,109	12,132,467	12,423,085	12,908,684	13,251,785	12,420,662	11,929,977	11,092,069	10,825,923		
Final **	10,677,881	10,992,891	12,243,834	12,552,629	12,995,893	13,329,777	12,505,627	11,979,018	11,103,708	10,825,923		

** Final totals through 2010 adjusted upward by the U.S. Dept. of Commerce, Travel and Tourism Industries, in annual report as late filings were received from carriers. Beginning with 2011, December total is final.

* February '12 had 29 days, average DAILY increase was 14.9 percent.