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THE U.S. MARKET FOR TRAVEL TO EUROPE • DEC. 3, 2012

SANDY CURBED U.S. VISITS TO EUROPE IN OCTOBER

1. **U.S. traffic to Europe increased just 1 percent in October**, totaling 852,344 visits, according to the latest figures from the Dept. of Commerce. Hurricane Sandy was a factor, shutting down flights from New York, Newark and other airports Oct. 29-31. For the year through October, U.S. visits to Europe are up 4.3 percent, to 9.89 million. See the **Volume of Travel to Europe** chart.

NEXT ISSUE: Overall Trans-Atlantic Traffic/ November

2. **The lowest trans-Atlantic fares have dropped again for the winter on some major routes.** The lowest midweek New York-London round trips are down 13.5 percent to \$773 for December through March (Christmas week excepted). See No. 12 below.

'FISCAL CLIFF' TALKS STALL, CONSUMER CONFIDENCE UP

3. **The U.S. economy grew 2.7 percent in the 3rd Q**, according to the first revision issued by the Dept. of Commerce this week. That's up from the original estimate of 2.0 percent. The forecast for the 4th Q is for some deceleration.
4. **'Fiscal cliff' negotiations between President Obama and House Speaker John Boehner have made little progress.** The president appears prepared to go over the cliff Jan. 1 if the Republicans don't agree to raise \$1.6 trillion over 10 years with higher tax rates on the upper-income brackets. With that revenue in hand, the administration might then find it easier to negotiate tax reductions for the middle class and restoration of most of the spending cuts with the new Congress.
Question: How would consumers and markets react to the withdrawal of billions from the economy, even if temporary? With an immediate freeze-up leading to recession?
5. Here are a few more U.S. economic positives and negatives: **Oil prices have jumped, to \$89** per barrel, up \$4 from two weeks ago. **Gasoline has stabilized at \$3.40** per gallon of regular (the U.S. average), or two cents less than two weeks ago.

The housing recovery slowed: Sales of existing homes rose 2.1 percent in October over September (and are up 10.9 percent over October 2011). Median existing prices were up 11.1 percent from a year ago. But sales of new homes slipped 0.3 percent from the September total, which itself was revised downward by 5.1 percent. Median new-home prices were up 5.7 percent.

U.S. stock markets moved upward in fits and starts (reflecting fiscal-cliff hopes and fears) with the Dow again above 13,000 (closing at 13,026 Friday).

6. **Consumer confidence rose again** as it has steadily since the summer, with the Conference Board index rising to 73.7 in late November—a 4½-year high—from a revised 73.1 in late October. That followed the increase reported by the Thomson Reuters/Univ. of Michigan index, to 84.9 in early November (its five-year high) from a revised 82.6 in early October.
7. **Greece finally won approval of the next €44 billion payment to stave off default** from the European Central Bank and the International Monetary Fund. The payment was approved Friday by a reluctant Bundestag that acknowledged it is in Germany's best interest to reduce threats to the euro that might deepen the European recession.

Greece may also be forgiven some of its huge EU-IMF debt, European leaders hinted, when it finally manages a budget surplus. First, it must begin to reverse its deep recession.

Upcoming: Italian elections in April; the center-left Democratic Party leads polls. German elections are to be held in September or October.
8. **Moody's downgraded its credit rating for France** from AAA- to AA1 with a "negative" outlook. France reported GDP growth of 0.2 percent in the 3rd Q, but may not be able to avoid recession next year.
9. **The dollar dropped versus the euro over the past two weeks**, from nearly €0.79 to €0.77, reflecting an uptick in prospects for the euro.

MORE EUROPEANS TRAVEL TO U.S., AMERICANS ARE VACATION DEPRIVED

10. **Travel by Europeans to the U.S. totaled 5.82 million in the first six months of 2012**, an increase of 2.4 percent, according to the latest figures from the Dept. of Commerce. That's 7.0 percent more than the 5.44 million U.S.-citizen visits to Europe over the same period. The gap is narrowing; in 2011 Europeans made 10.4 percent more visits to the U.S. than Americans made to Europe.

Britain accounted for a commanding 30.2 percent of all European visitors to

the U.S.; Germany, 15.1 percent; France, 12.0 percent; Italy, 6.0 percent; Eastern Europe, 6.0 percent; Netherlands and Spain, 4.6 percent each; Sweden, 3.9 percent; and Switzerland, 3.6 percent.

Details at <http://tinet.ita.doc.gov/view/m-2012-I-001/index.html>.

11. **You can't plan much of a vacation if you don't get time off and take it.**

Americans get 12 days vacation, on average, but take only 10, while Germans get 30 days and take 28, according to a Harris survey for Expedia.com. Americans are better off than South Koreans who get only 10 days off and take only seven. And although Japanese get 13 days off, they actually take only five.

Why not take vacation days? Americans say they bank this year's vacation days for next year (23 percent), have difficulty coordinating vacations with their family (23 percent), can't afford it (19 percent) or have to schedule too far in advance (18 percent). For details: www.Expedia.com/p/info-other/vacation_deprivation.htm.

NY-LONDON FARES SLIP, SAS UNIONS SAY 'JA', PILOTS ADMIT NAPS

12. **The lowest New York-London fares have dropped 13.5 percent in a month** for December–March travel. Of the other two routes we watch, Chicago-Paris fares are down 8 percent and San Francisco-Frankfurt fares are unchanged. We assume the reductions are in response to softness in the market.

Here are the low fares quoted this week on Travelocity for non-stop flights on major carriers, taxes and fees included.

| travel dates: | Dec. 12-19 (compared to late-Oct. quote) | Jan. 16-23 (compared to late-Oct. quote) | Feb. 13-20 (compared to Dec. '11 quote) | March 13-20 (compared to Jan. '12 quote) |
|----------------------------|--|--|---|--|
| New York–London | \$ 773 (894) | \$ 773 (894) | \$ 773 (727) | \$ 773 (689) |
| Chicago–Paris | 914 (994) | 915 (994) | 875 (732) | 875 (732) |
| San Fran.–Frankfurt | 1,033 (1,032) | 1,034 (1,032) | 1,034 (948) | 1,084 (890) |

13. **Scandinavian Airlines continued to fly**, after winning quick agreement from its eight unions for more asset sales, layoffs, pay reductions, pension revisions and work schedule changes. Chief Executive Rickard Gustafson praised "these very big sacrifices and a great amount of responsibility from the unions." That cleared the way for new financing from the Swedish, Danish and Norwegian governments (which own 50 percent of the carrier) and from banks.

The following week, SAS said that it would open 45 new routes next year,

including the previously announced San Francisco-Copenhagen route (April 13). SAS's other U.S. gateways are Newark, Chicago and Washington.

14. **Iberia ground workers, agents and cabin crew say they will strike** Dec. 14-17 to protest job cuts planned by parent International Airline Group.

Willie Walsh, the IAG chief, said earlier that it was necessary to eliminate 4,500 jobs and reduce the fleet to stave off further losses. Iberia pilots can't join the strike under an unrelated arbitration ruling involving Iberia Express.

15. **Four out of 10 British pilots say they have fallen asleep while flying**, according to a survey conducted for the European Cockpit Association, representing pilots throughout the European Union.

Of those sleeping pilots, **a third said they had woken up to find their co-pilot asleep as well.** Most blamed fatigue, but said they would not file fatigue reports or decline to fly for fear that it would jeopardize their jobs.

The survey of 6,000 pilots was released as the European Aviation Safety Agency moves to harmonize flight-time limitations next year, by applying less-strict rules prevailing in most of Europe to Britain. The British government supports harmonization, saying the result will be a similar level of safety as that set by the U.S. Federal Aviation Administration.

16. **A French appeals judge overturned the manslaughter verdict against Continental Airlines and one of its mechanics** in the July 25, 2000 crash of an Air France Concorde bound for JFK. One hundred thirteen people died.

The original panel of judges ruled that mechanic John Taylor, working in Houston, fitted an incorrect metal strip onto a Continental DC-10. Weeks after the repair, that strip fell from the Continental aircraft, on takeoff, to the runway at Charles de Gaulle. Minutes after that, the Concorde was in its own takeoff run when one of its high-pressure tires struck the strip and exploded, shooting pieces of rubber into a fuel tank, igniting flames. The burning Concorde lifted off, only to stall as its wing melted, and crash into the nearby Hotelissimo Hotel.

Judge Michele Luga ruled last week that mistakes by the mechanic and airline did not make them criminally responsible for the deaths. During the original trial, the defense stressed that the Concorde's fuel-tank vulnerability had been known for years. Luga did uphold Continental's civil liability of €1 million, to be paid to Air France. The great majority of the civil claims were settled previously.

The supersonic Concorde's only fatal accident did not immediately end its career, but sales never recovered. Air France and British Airways retired their fleets in the fall of 2003.

17. **Air Berlin is rearranging U.S. gateways:** In March, seasonal service from San Francisco, Las Vegas and Vancouver to Düsseldorf will not resume, while new non-stops will begin from Chicago to Berlin (with Air Berlin stressing its connections to Poland via Berlin). In May, frequencies will be increased from JFK, Los Angeles and Miami. Service from Fort Myers will also resume.

Air Berlin is also counting on its new codeshare agreement with American Airlines to build U.S. business.

VIKING ANNOUNCES MORE LONGSHIPS, THOMAS COOK REPORTS LOSS

18. **A transformed and enlarged Rijksmuseum will open in Amsterdam April 13** after 10 years and €300 million worth of rebuilding. More than 8,000 works will be displayed in 80 chronologically ordered galleries to tell the story of the Netherlands and its art from medieval times. Thirty galleries are dedicated to the 17th-century Golden Age of commerce, exploration, science and art. Rembrandt's "Night Watch" will return to its traditional setting, but the bulk of what has long been one of the world's greatest collections will be reorganized.

19. **Viking Cruises will build two more Longships** for service next year, on top of the six that launched this year and the eight already in the works for 2013. At 443 feet, each Longship offers 95 cabins and lounges fore and aft. The wider variety in cabin size and features allows Viking to offer a wider range of prices.

The latest to be announced, the *Viking Baldur* and *Viking Magni* will be assigned next summer to 15-day Grand European Tours between Amsterdam and Budapest via the Rhine-Main-Danube canal. In addition, the *Baldur* will sail eight-day Rhine cruises; the *Magni* eight-day Danube cruises. The Longships, designed by the Oslo firm of Petter Yran and Bjørn Storbraaten, are built at the Neptun Werft yard in Warnemünde, Germany.

20. **Thomas Cook said it lost £590 million in the year ended Sept. 30**, as it pushes through a drastic reorganization plan under Harriet Green, its chief executive of 17 weeks. A third of the leading executives have departed the company and a third have been promoted; streamlining will continue with the aim of reducing costs by £100 million over three years. "The operating business is actually profitable," Ms. Green said. "Fixing the UK business performance is key." The firm's huge £891 million debt was reduced by £103 million through sale of some assets and another reduction of £50 million is planned this year.

21. **Carnival will move its 2,124-passenger *Carnival Legend* from the Mediterranean to the Caribbean 10 weeks earlier than planned next year.** That will

eliminate five long Mediterranean cruises between late September and early December. Instead, *Carnival Legend* will depart Dover on Sept. 25 for a 15-day, seven-port crossing to New York.

Carnival may have experienced difficulty this fall in filling late-season European cruises; it has been a soft year since the *Costa Concordia* accident in January.

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VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS OCTOBER 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 |
| March | 910,848 | 808,794 | 982,275 | 992,917 | 1,025,478 | 1,041,834 | 982,679 | 847,090 | 852,371 | 773,308 | 823,312 | + 6.5 |
| April | 769,269 | 679,570 | 929,359 | 944,616 | 990,345 | 998,978 | 968,486 | 940,279 | 761,418 | 806,302 | 832,117 | + 3.2 |
| 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 | 1,213,377 | + 4.8 |
| 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 | 1,498,656 | + 4.7 |
| 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 | 1,299,502 | + 0.8 |
| 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 | 1,126,098 | + 7.6 |
| 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 | 1,138,691 | + 1.8 |
| October | 805,403 | 872,409 | 897,683 | 941,909 | 980,856 | 1,038,804 | 916,328 | 920,191 | 831,219 | <u>844,142</u> | <u>852,344</u> | + 1.0 |
| | | | | | | | | | | 9,452,115 | 9,858,332 | + 4.3 |
| November | 745,117 | 785,206 | 821,219 | 811,118 | 816,098 | 856,815 | 765,079 | 748,994 | 640,639 | 644,948 | | |
| December | <u>830,737</u> | <u>888,149</u> | <u>900,717</u> | <u>902,504</u> | <u>913,995</u> | <u>954,698</u> | <u>888,886</u> | <u>845,496</u> | <u>688,213</u> | <u>729,039</u> | | |
| | 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.