

# TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • JAN. 17, 2013

## TRAFFIC WAS DOWN IN DECEMBER, FLAT FOR THE YEAR

- 1. Overall trans-Atlantic traffic dropped for the third consecutive month in December.** The leading carriers reported an average decline of 2.8 percent. Hurricane Sandy cancellations were not a factor as they had been in October and November. The airlines reduced seats by an average 5.1 percent compared to a year ago. Their reward was an average load factor of 83.9, the highest for December since 2009. See the **Trans-Atlantic Traffic Trends** chart.
- 2. The leading airlines let capacity decline throughout the year.** European carriers tended to hold capacity even, but their U.S. joint-venture partners cut back sharply. For all of 2012, overall capacity was down 2.0 percent, with the largest average declines coming in October, November and December. Growth for overall traffic was barely positive, by a tiny 2/10ths of one percent. The overall load factor for the year was a stunning 84.2. This is for the six leading carriers only; we should have data on ALL trans-Atlantic carriers in the next issue, but any shift in the percentages will be small. See No. 9 below.
- 3. Travel by U.S. citizens to Europe increased by only 0.2 percent in November,** the smallest percent gain for the year, according to the latest figures from the Dept. of Commerce. For the year, U.S. visits are up 4.0 percent with a final total estimated at a little more than 11 million. That figure could be released within the next three weeks. See the **Volume of Travel to Europe** chart.

## BATTERIES GROUND DREAMLINERS WORLDWIDE

- 4. The Dreamliner had a tough day.** Early Wednesday, an All Nippon Boeing 787 made an emergency landing in western Japan when smoke was detected in the cockpit. All Nippon and Japan Air Lines then grounded all 24 of their 787s. Later, after special inspections, LOT Polish Airlines went ahead with the first commercial trans-Atlantic flight of a 787, taking off from Warsaw and landing in the evening at Chicago's O'Hare. Meanwhile, the U.S. Federal Aviation Administration grounded United Airlines' six

787s (United is the only U.S. carrier that has received the plane at this point). The FAA had previously ordered a comprehensive review of the aircraft, with its electrical system and lithium batteries as the first focus.

The FAA grounding was soon followed by a similar order from the European Aviation Safety Agency grounding LOT's two 787s, the one in Chicago and the other in Warsaw.

The 787 incorporates numerous innovations, many designed to reduce weight. These include carbon-fiber polymer fuselage segments (instead of aluminum) and electrical powering of many systems (instead of mechanical and hydraulic powering).

The original FAA review was announced after a fire broke out Jan. 9 at Boston's Logan Airport in a 63-pound lithium battery in the rear of a Japan Airlines 787 undergoing routine inspection.

An FAA test last August found that lithium-battery fires could reach 2,000° F, while the polymer degrades at 400° F, according to a report by Curtis Tate of McClatchy Newspapers.

## NEXT CONFRONTATION: THE DEBT CEILING

5. While the "fiscal cliff" was sidestepped, **the divided U.S. Congress must next raise the debt-ceiling again** (or risk default on the U.S. debt as early as mid-February). And after that, the Congress must come to an agreement by March 1 on deficit reduction (or face the automatic kick-in of \$1.2 trillion worth of "sequester" cuts that could inhibit the recovery). Republicans say they will not vote to raise the debt ceiling without substantial spending cuts. President Obama says he will not "negotiate" the debt ceiling.
6. Is the U.S. public as nervous about the debt ceiling as it was about the fiscal cliff? We'll know when **the first major post-cliff consumer confidence report comes out Friday**. That will be the Thomson Reuters/Univ. of Michigan index. Both the Michigan and Conference Board indexes dropped sharply in December when the cliff negotiations stalled.
7. **Most other economic indicators have been encouraging**, including the December report that 155,000 jobs had been added to the U.S. economy, with the unemployment rate unchanged at 7.8 percent. Totals for October and November were revised upward by 14,000 jobs, or +4.9 percent.

**Oil prices remained high at \$94 a barrel**, indicating relative optimism about the economy. **Gasoline is up just a penny over the past two weeks to \$3.30** per gallon of regular (the U.S. average). **The Dow has been rising** and began the day at 13,511.

8. **But the dollar dropped against the euro to €0.75** this week, evidence that European-debt worries have been moved to the back burner for the immediate future.

**FEWER EMPTY SEATS, AMERICAN IN THE BLACK, MORE SPEND FOR BRITAIN**

9. **Packed tight:** The leading carriers scored a very impressive 84.2 combined load factor on trans-Atlantic operations in 2012. Air France/KLM led with less than 12 percent of seat-miles empty for the year. Below are percentage results compared to 2011. The joint-venture partners are paired together, although the data includes some operations that are not included in the U.S.-Europe joint ventures.

	Traffic/RPMs	Capacity/ASMs	Load Factor
<b>Delta</b>	- 4.3%	- 7.5%	84.1 (+ 2.8)
<b>Air France/ KLM</b>	+ 2.7	+ 0.5	88.3 (+ 1.9)
<b>United</b>	- 3.7	- 3.6	79.7 (- 0.2)
<b>Lufthansa/ Swiss/ Austrian</b>	+ 1.9	- 0.4	85.4 (+ 1.9)
<b>American</b>	- 3.2	- 6.5	82.9 (+ 2.9)
<b>British Airways/ Iberia</b>	+ 6.1	+ 3.3	84.0 (+ 2.2)
<b>Combined totals</b>	+0.2	- 2.0	84.2 (+ 1.9 points)

10. **U.S. visits to Britain dropped by more than 5 percent in November**, according to provisional figures issued by VisitBritain. But U.S. visits are still running at +3 percent for the year and should exceed 2.9 million for the first time since 2008.

11. **New quarterly data confirmed that U.S. visits to Britain declined in the peak 3rd Q**, by 4.7 percent. The number of Americans visiting for the Olympics did not make up for the loss of "traditional" U.S. visitors who stayed away because they were worried about costs and crowding in London. Total U.S. nights were also down, by 2.3 percent.

**So why is VisitBritain happy?** U.S. spending per visitor *rose* in the 3rd Q by a heartening 9.2 percent to a record £918. Total U.S. spend was £880 million, second only to the summer of 2007.

The pattern held for all international traffic to Britain in the 3rd Q: Total visits were -2.9 percent, total nights were -2.6 percent, spending per visitor was +10.8 percent to \$720, and total spend was +7.5 percent to £6.4 billion, the best ever for the quarter.

**Note:** We follow Britain's data closely because it is one of the two leading European destinations for Americans (the other is France) and because the surveys by the Office for National Statistics are frequent (monthly) and reliable.

12. **American Airlines reported a profit of \$262 million** in the 4th Q on revenue of \$5.9 billion. The profit, the first in years, was attributable to \$350 million in special items and reorganization gains, and compares to a \$1.1-billion quarterly loss a year ago, on similar revenue, after American filed for bankruptcy reorganization.

For the year, American lost \$1.9 billion (+5 percent) on record revenue of \$24.9 billion (+3.8 percent).

Meanwhile, American's management and creditors are mulling over US Airways' latest merger proposal, which would split the combined stock 70-30 in favor of American and its creditors. A decision is expected before American files its reorganization plan with the bankruptcy court; the due date is expected to be extended to April 1.

### THE AIRPORT THAT COULDN'T, SPAIN-FRANCE HIGH SPEEDS, VEMEX IN NOVEMBER

13. **The new Berlin Brandenburg Airport may not open before 2015, or nearly three years behind schedule.** That's the estimate of Horst Amann, the airport's technical manager since September. The main problem has been designing and building adequate fire control into the new terminal.

The project manager was forced out this week and the mayor of Berlin had to give up chairmanship of the project's supervisory board.

AirBerlin is hurt particularly, because it has long planned its expansion by using the new airport as its hub. The German capital continues with its venerable standbys: Tegel and Schönefeld, the latter right next to the new airport's unused runways.

14. **High-speed train service opened last week between Spain and France.** For now, Spain's AVEs run from Barcelona to Figueres, where passengers switch to French TGVs that cross the border to Perpignan, Lyon and Paris. The first direct Madrid-Barcelona-Paris high-speed service (no train switching) is scheduled to begin in April; the running time will be reduced from 12½ hours on standard trains to around nine hours.

Critical to that was the December opening of a tunnel beneath central Barcelona to connect the Sants station with the new Frank Gehry-designed Sagrera station in the city's north end, from which the line to Figueres continues.

Spain's AVE trains operate on the same standard gauge as the French TGVs, but a flyover had to be built north of the border to put righthand-running Spanish trains on lefthand-running French tracks and vice versa.

15. **Calendars are being marked for this year's edition of the Visit Europe Media Exchange.**

VEMEX will open 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.

The 2013 website—**VisitEuropeMediaExchange.com**—will go up in March.

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