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THE U.S. MARKET FOR TRAVEL TO EUROPE • JULY 16, 2012

OVERALL TRAFFIC FLAT IN JUNE; U.S. VISITS TO EUROPE UP IN MAY

1. **Overall trans-Atlantic traffic was basically flat in June**, rising by an average of just 0.5 percent among the leading carriers. With that, virtually no growth was recorded for the entire 2nd Q compared to last year. The carriers reduced capacity by an average 1.8 percent in June. There were few empty seats; the average load factor was 89.9 with only United below 90. See the **Trans-Atlantic Traffic Trends** chart.
2. **U.S. traffic to Europe increased 4.8 percent in May to 1.21 million visits**, according to the latest figures from the Dept. of Commerce. For the year through May, American visits to Europe are up a strong 6.0 percent.
3. As the Queen's Diamond Jubilee approached, **U.S. travel to Britain picked up dramatically in May**. American visits had been down 3 percent for the year through April; now they are UP 2 percent through May, according to the latest preliminary figures from VisitBritain.
London is preparing for big crowds for the Summer Olympics, including visitors from the U.S. **But central London hotels and theaters still say their U.S. bookings are down for the Olympic period (July 27–Aug. 12) and especially for the weeks following the games.** A record 137,000 people are projected to depart Heathrow on Aug. 13.

DOLLAR RISES TO 25-MONTH HIGH VS. EURO

4. **Dire euro-crisis headlines seemed to be taking a brief summer break**, at least in U.S. media. But it's not because Spain and Italy are doing better in the bond markets. For Italy, the cost of borrowing jumped to 6 percent after Moody's downgraded its bonds to just two notches above junk. Spain's 10-year bond costs rose to more than 7 percent; it was downgraded by Moody's last month to just one notch above junk.
5. **Euro fears pushed the dollar up by to a 25-month high** early today of €0.82, interbank rate.
6. **The June employment report for the U.S. was not much sunnier than May's** with only 80,000 new jobs recorded. The unemployment rate was unchanged at 8.2 percent. Com-

bined job gains for April and May were revised downward slightly by 1,000 jobs.

The slowing recovery continues to be a dominant issue in the presidential campaign, with Republicans attacking Pres. Obama. He, in turn, said Republicans are blocking the jobs program proposed by the administration last fall, and the president's plan to extend tax breaks for Americans earning less than \$250,000 a year, while letting them rise on those making more.

7. More economic positives and negatives: **U.S. gasoline prices continued to fall compared to two weeks ago, to \$3.40 per gallon** of regular (national average). **Oil prices jumped from** less than \$83 per barrel two weeks ago to \$87.

Consumer confidence continued to drag. The Thomson Reuters/Univ. of Michigan index dropped to 72.0 in early July from a revised 73.2 in early June. Previously, the Conference Board said its index had dropped to 62.0 in late June from a revised 64.4 in late May. **Stock markets were up last week**, with the Dow at 12,777 Friday.

AIRBUS TO BUILD A320s IN ALABAMA

8. **American Airlines won a three-month extension of its deadline for filing a reorganization plan.** The plan is now due Dec. 28 with acceptance due by Feb. 28 in a ruling by U.S. Bankruptcy Judge Sean Lane. US Airways has no objection, said its CEO, Doug Parker. US Airways is campaigning for a merger with American by reaching out to American's creditors and unions.

9. **Airbus said it would build a \$600-million aircraft plant in Mobile, Ala.—its first in the U.S.** The plant will assemble, beginning by 2015, A320neos to compete with the Boeing 737 MAX. U.S. airlines now fly 80 737s for every 20 A320s; Airbus wants to expand its share to 35 percent as U.S. narrowbody fleets expand to 4,600 aircraft over the next 20 years.

United's order of 150 737s, announced at the end of last week's Farnborough Air Show, underlined the challenges to Airbus in the U.S. With a U.S. plant, Airbus will be able to say it is supporting American jobs and paying American taxes, which should help in its battles with Boeing for U.S. orders.

Airbus originally planned to build air tankers for the U.S. Air Force at Mobile, but lost that contract to Boeing in a rebid; it did establish an engineering center in Mobile where the July 2 announcement was made. Airbus's first assembly plant outside of Europe is producing A320s in Tianjin, China.

10. **American, United and Delta are suspending their non-stop flights from New York to Rome next winter**; only Alitalia will fly non-stop. And even Alitalia, a joint-venture partner with Delta, will cut back capacity, by more than 25 percent in December. The U.S. carriers will restore New York–Rome service in the spring.

FLIGHT 447 REPORT, CONCORDIA'S CAPTAIN SPEAKS

11. **Three pilots who were never trained in aircraft stalls bore the brunt of the final report on the Air France 447 disaster.** While faulty pitot tubes led to the shut off the autopilot, the flight was doomed by “the crew’s failure to diagnose the stall situation” and consequent failure to take actions “that would have made it possible to recover from it.” All 228 aboard died.

Cockpit recordings revealed that the pilots never understood that the Airbus A330 was in a stall—automatic alerts went on and off in a confusing fashion—so they failed to push the nose down to gain sufficient airspeed to restore lift. They kept pulling the nose up as the plane dropped 38,000 feet into the Atlantic off Brazil on the night of May 30, 2009. Last words: “Damn it, we’re going to crash, this can’t be true!”

The report, from France’s Bureau d’Enquetes et d’Analyses, recommended improvements in the Airbus communications and instrumentation systems, and, most importantly, in pilot training. The report said NO airline provides stall-recovery training, and that today’s simulators can’t realistically re-create stalls. One safety expert said the accident was one of several involving stalls over the past nine years that illustrate “a serious training problem worldwide.”

12. The *Costa Concordia* made news:

The captain, Francesco Schettino said junior officers were at the helm when the ship struck an undersea rock, and that he was on a phone speaking to a retired Costa captain on the island of Giglio; he previously claimed that the rock was not on the ship’s chart. Schettino has been allowed to leave his home but cannot go beyond the bounds of his hometown. A preliminary hearing is scheduled for July 21 to release black-box recordings (which Italian media say will contradict the captain’s story) and to consider formal charges.

Carnival Corp., Costa’s parent, was targeted by more lawsuits in the U.S., including one that seeks to mothball scores of shallow-draft mega cruise ships as unsafe. “The ship’s shallow draft, the area below the waterline, made it unstable, so that it tilted quickly over and many lifeboats became useless,” said attorney John Arthur Eaves, Jr. at a June 26 press conference in Rome. Eaves and others are seeking grounds to sue Carnival in the U.S. rather than Costa in Italy.

A comparison: The 114,000-ton *Concordia*, built by Fincantieri and launched in 2006, has 13 decks and draws only 27 feet. The *Titanic*—only 46,000 tons and eight decks—drew 59½ feet. But modern ships carry more weight in the keel and are equipped with stabilizers to make up for draft. Less draft means access to more ports and closer approaches to shorelines.

Salvage crews are breaking up 80 tons of rock embedded in the hull; they then must patch the lengthy gash and position huge air pontoons before attempting to float the ship. The *Concordia* is to be towed to a mainland salvage yard. Thirty-two people died in the Jan. 13 foundering off Giglio.

13. **Registration for exhibitors continues on VisitEuropeMediaExchange.com.** The next edition of the Media Exchange takes place this fall at the Harvard Club in **New York**, Oct. 22, and at the Hilton in **Chicago**, Oct. 25.

Registration of journalists will begin the first week of August.

VEMEX 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. For information, email to VEMEX@dnmartinco.com.

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Trans-Atlantic Traffic Trends, June '12

Compared to previous year, +/- percent

RPMs	July '11	Aug. '11	Sept. '11	Oct. '11	Nov. '11	Dec. '11	Jan. '12	Feb. '12	March '12	April '12	May '12	June '12	ASMs (June '12)	load factor
Delta (Sky)	- 1.1	- 2.4	- 7.6	- 10.3	- 11.0	- 7.3	- 4.2	+ 3.1	- 0.4	- 6.1	- 4.4	- 5.5	- 8.7	90.6
Air France/ KLM (Sky)	+ 9.6	+ 10.7	+ 12.2	+ 8.6	+ 6.2	+ 9.0	+ 8.3	+ 13.1	+ 9.7	+ 2.3	- 1.8	+ 5.6	+ 1.7	90.3
United (Star)	- 2.4	- 5.8	- 2.1	- 7.9	- 4.1	- 1.1	- 1.9	+ 0.8	+ 1.4	- 6.0	- 1.7	- 1.4	- 2.7	87.9
Lufthansa/ Swiss/ Aus. (Star)	+ 7.5	+ 6.1	+ 3.9	+ 2.3	+ 4.2	+ 2.9	- 0.3	+ 0.8	+ 6.0	+ 1.5	+ 2.0	+ 3.8	+ 1.9	90.1
American (One)	+ 2.1	+ 2.5	+ 0.5	- 0.6	- 2.8	+ 4.8	+ 3.1	+ 8.0	+ 2.0	- 2.7	- 9.6	- 5.5	- 6.6	90.6
British Airways/ Iberia (One)	+ 7.6	+ 6.5	+ 7.3	+ 8.7	+ 14.0	+ 23.3	+ 8.5	+ 11.1	+ 16.3	+ 6.8	+ 6.9	+ 6.0	+ 3.5	90.0
Leading-carriers average	+ 3.9	+ 2.9	+ 2.4	+ 0.1	+ 1.1	+ 5.3	+ 2.3	+ 6.2/+2.5	+ 5.8	- 0.7	- 1.4	+ 0.5	- 1.8	89.9

All carriers (Airlines for America + Association of European Airlines)

U.S.-citizen traffic to Europe,
Dept. of Commerce

* February '12 had 29 days/ average DAILY increase in RPMs was 2.5% for leading carriers, and only 0.7% for all carriers.

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