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THE U.S. MARKET FOR TRAVEL TO EUROPE • JULY 2, 2013

1. **Peak-season fares to Europe, which spiked in June, are moving downward**, at least as measured by the lowest economy fares on three major routes. However, the lowest New York-London roundtrips are still at the \$1,300-level for July. See No. 9 below.

TWO ECONOMIES: U.S. RISING, EUROPE STILL LAGGING

2. **U.S. GDP: It's up, but less than we thought.** The latest estimate of 1st-Q GDP growth from the Dept. of Commerce came in at 1.8 percent, a sharp reduction from the previous estimate of 2.4 percent; personal consumption was less than calculated a month earlier.
3. **The 3rd Q opened Monday with the Dow hovering just below 15,000**, struggling to recover from worries over a sell-off of stocks in China and Japan, and the yet-to-begin tapering off of Federal Reserve stimulus. Good news about U.S. home sales and consumer confidence helped (below).
Also, **oil prices dropped to \$95 a barrel last week, then jumped to \$96.60** Monday. **Gasoline prices continued to drop, to \$3.48** per gallon (national average).

NEXT ISSUE: U.S. Visits to Europe in May (delayed)
Overall Trans-Atlantic Traffic in June

4. **Sales of homes continued to rise in May**, with sales of previously occupied homes up 13 percent (over 12 months) to more than 5 million for the first time in 3½ years. The national median price was \$208,000, up 15.4 percent.
Sales of new homes were up 29 percent over a year ago for the second consecutive month, and at their highest (476,000) since July 2008. The median new-home price was \$263,900, down from the record of \$271,600, set in May.
5. **Consumer confidence surged.** The Conference Board index jumped to 81.4 in late June from a revised 74.3 in late May, the highest for this index since January 2008.

Previously, the Thomson Reuters/Univ. of Michigan index dropped slightly to 82.7 in early June from a revised 84.5 in early May, the only downturn in either index since early April.

- 6. Meanwhile, **euro-zone unemployment was reported at 12.1 percent in May**, a record high. Five of the 17 euro countries are under the U.S. rate of 7.6 percent (Germany, Austria, the Netherlands, Luxembourg and Malta) but joblessness in France, Slovenia, Italy, Ireland, Slovakia, Cyprus and Portugal ranges from 10.4 percent to 17.6 percent. Spain and Greece are in their own category at 26 percent-plus.
- 7. **Ireland slipped back into recession in the 2nd Q.** The decline was blamed in large part on the drop in exports to the rest of Europe (nine euro-zone countries were in recession in the 1st Q).
Tourism to Ireland is holding its own, however, with total international visits up 6.4 percent through May and visits from North America up 12.8 percent. Increases in spend might be smaller; that data isn't out yet.
- 8. **The dollar rose** over the past 10 days vs. the euro, from less than €0.75 to nearly €0.77 Monday (interbank rate).

SUMMER FARES TO EUROPE ARE EASING

- 9. While fares are dropping slowly in the later summer weeks, **the lowest New York-London roundtrips are still at the \$1,300-level for July.** Carriers have been able to maintain 10 percent-plus increases for the year on this busiest of international routes.

Here are low fares quoted last week on Travelocity for roundtrip, non-stop, midweek flights on major carriers; taxes, fees and surcharges included.

Travel dates:	July 17-24 compared to late-May quote)	Aug. 14-21 compared to late-May quote)	Sept. 11-18 compared to June '12 quote)	Oct. 16-23 compared to June '12 quote)
New York-London	\$1,301 (\$1,294)	\$1,139 (\$1,132)	\$928 (\$825)	\$928 (\$825)
Chicago-Paris	1,420 (1,426)	1,305 (1,314)	1,128 (1,106)	1,128 (1,007)
San Fran.-Frankfurt	1,681 (1,677)	1,483 (1,606)	1,200 (1,175)	1,200 (1,175)

- 10. **The Delta-Virgin Atlantic deal to operate as a single carrier between the U.S. and Britain won approval** from the U.S. Justice Dept. and the European Commission. All that's still needed is approval by the U.S. Dept. of Transportation, expected

within a few months. As part of the deal, Delta is buying the 49 percent of Virgin now owned by Singapore Airlines, but Virgin will continue as a separate carrier with Sir Richard Branson controlling the other 51 percent. Trans-Atlantic pricing, scheduling and marketing will be decided together, and profits will be shared.

The deal gives Delta and Virgin a better chance against the British Airways-Iberia-American joint operation that dominates the U.S. routes to London.

11. **Iberia is losing money in every market**, said Willie Walsh, chairman of the International Airlines Group, and that will require more service cuts and more job reductions. "It's vital that everyone within the company understands that they have to make sacrifices to help save Iberia," he told the annual meeting of IAG, whose greater half is BA. Iberia's main problem: Reduced demand in economically depressed Spain.
12. **BA and Norwegian Air Shuttle received their first Boeing 787s** last week. BA, which has 24 on order, will assign one to Toronto-Heathrow as of Sept. 1; and a second to Newark-Heathrow as of Oct. 1. Norwegian, with eight 787s on order (through leases), will assign the first this summer to flights from JFK to Oslo and Stockholm, and in November from Fort Lauderdale to Oslo, Stockholm and Copenhagen.

CROATIA JOINS THE CLUB

13. **Croatia officially acceded to the European Union Monday**, becoming the 28th member nation, and the first new member since Romania and Bulgaria joined in 2007. The celebration was muted, however, because Croatia expects only limited help from Brussels in digging out of its own stubborn recession. Neighboring Slovenia is in equally difficult shape, despite its nine years in the EU.

Croatia's tourism sector is a bright spot, fully recovered from the Yugoslav wars of the 1990s. In 2012, North American visits reached a post-conflict record 237,826, up 17.8 percent over 2011, despite the fact that there is no non-stop air service from the U.S. or Canada.

Croatia will not soon adopt the euro so, unlike Slovenia, it can revalue its currency to encourage tourism and exports. In recent years, the kuna has been relatively stable vs. the euro (1 kuna = €0.13 today). Also, Croatia will not immediately join the open-border Schengen area that includes most of the EU; thus passport checks will continue on its border with Slovenia and Hungary, and for ferry passengers to and from Italy.

BRAND USA'S NEW DRIVE SOUTH OF THE BORDER

14. **Brand USA launched multi-media promotional campaigns in Brazil and Mexico** in June, including TV spots (with "Land of Dreams," written and performed by Rosanne

Cash), and print and outdoor advertising, as well as digital and social media. The campaign was announced at the International Pow Wow in Las Vegas.

Brand USA's first advertising drive opened last year, targeting Britain, Japan and Canada. That was deemed a success in generating increased interest in travel to the U.S. But Brand USA ran afoul of six conservative senators who said it was top-heavy with Democratic donors (like its chairman, Stephen Cloobek of Diamond Resorts Holdings, a big time-share resort operator based in Las Vegas), and wasted money on trips and industry parties. The senators also generally opposed federal funds for promotion of travel to the U.S.

After only a year on the job, Brand USA's first CEO, Jim Evans, departed abruptly last June, and Cloobek followed when his term ended in the fall. Caroline Beteta, who heads Visit California, became the new chairman and Christopher Thompson, who led Visit Florida, was hired to be CEO. The new marketing officer, Yvonne La Penotiere (with much experience at Carlson), joined just a week before the Brazil and Mexico campaigns were unveiled.

Brand USA (officially the Corp. for Travel Promotion), is a public-private corporation that works closely with the Dept. of Commerce. It was created by Congress in 2010, and benefits from up to \$100 million a year generated by a \$10 portion of the fee on incoming visa-waiver visitors (most of them Europeans). Brand USA must raise \$1 in industry contributions (cash or in-kind) for every \$2 it receives from that fee.

The big-budget Brand USA program, for which the U.S. travel industry fought long and hard, is being watched closely: **Can it create promotions powerful enough to move major overseas tourism markets?**

No budget was announced for the Brazil and Mexico campaigns. For more, see TheBrandUSA.com.

15. Pres. Obama's appointments of **Penny Sue Pritzker to secretary of commerce; and Anthony R. Foxx to secretary of transportation** were confirmed by the Senate.

Pritzker's multi-billionaire family controls Hyatt Hotels, airport parking lots and major Chicago real-estate interests; she played leading fund-raising roles in Obama's presidential campaigns. Foxx has been mayor of Charlotte since 2009. As a councilman and mayor, he pushed for a fourth runway and ongoing terminal expansion at Charlotte-Douglas Airport, a big US Airways hub with considerable service to Europe.

LUTHER 500 DRAWS CATHOLICS & LUTHERANS TOGETHER

16. **The European Tour Operators Association has launched a 90-second video** that will be played over four months on BBC.com/Travel and LonelyPlanet.com (the parent company of which was sold by BBC this year to NC2Media in the U.S.). A similar online promotion is planned for 2014.

17. **Holy Ecumenism!** Martin Luther's 95 Theses led to the divide between Catholic and Protestant, and to more than a century of bloody religious conflict. But now that the 500th anniversary of the Theses is coming up, in 2017, the Vatican and the Lutheran World Federation will mark it as a "shared event."

"The awareness is dawning on Lutherans and Catholics that the struggle of the 16th century is over," said a joint report. "The reasons for mutually condemning each other's faith have fallen by the wayside." Leaders of the two religions, including LWF General Secretary Martin Junge and Cardinal Kurt Koch, the Vatican envoy, say belief in Jesus unites them. "This is a very important step in a healing process which we all need and we are all praying for," said Junge.

Since 2007, the German National Tourist Board has been creating annual marketing themes in the buildup to the Luther Year.

For more on the Lutheran-Catholic agreement, see the Reuters report by Tom Heneghan and Tom Miles: <http://uk.reuters.com/article/2013/06/17/us-vatican-lutheran-reformation-idUKBRE95G0LP20130617>.

AS CARNIVAL PROFITS LAG, ARISON REPLACES ARISON

18. A week after his Miami Heat team won the NBA championship (and 17 months after the *Costa Concordia* foundering heralded a series of Carnival Corp. cruise mishaps), **Micky Arison decided to step down from Carnival's chief executive's seat**. Arison, a multi-billionaire who just turned 64, had been the CEO since 1979 and will continue as chairman. Arnold W. Donald, 57, a lawyer and 12-year board member, will replace him. Arison's father, Ted, founded Carnival in 1972 and the family built it into the world's dominant cruise operator, with more than 100 ships sailing under the Carnival, Holland-America, Princess, Cunard, Seabourn, Costa, AIDA and Ibero brands.

19. The new CEO was announced as **Carnival reported a tiny 2nd Q net of \$41 million** on revenue of \$3.5 billion (-1.7 percent). That was actually better than a year ago, because losses on fuel hedging shrank from \$145 million to \$31 million. Also, the cost of fuel was down 9.7 percent compared to the 2nd Q of 2011.

Looking ahead, **booking volumes for all Carnival brands combined are running higher** than last year at higher prices, the company said. But Carnival Cruises alone is a drag, with volume down even at lower prices.

20. **Carnival has been hitting the reset button in other areas:** Carnival Cruise ships are being refitted with redundant power generators, to avoid a repeat of the disastrous *Carnival Triumph* incident when a fire knocked out the main engines and left the ship adrift in the Gulf of Mexico with little power for even lights and toilets.

Carnival also hopes to reverse an increasingly antagonistic relationship with travel

agents, first by bringing back Bob Dickinson, the former Carnival Cruise president, as a consultant on marketing (and agents) and, most recently, by admitting, in the words of Carnival's Lynn Torrent that the line has "some apologizing to do" about commission restructuring this year. That will be a mission of its "Carnival Conversations" program.

21. **Exhibitor registration for the Visit Europe Media Exchange continues.** VEMEX will open in **Toronto** on Friday, Nov. 15; then go to **New York** on Monday, Nov. 18; and to **San Francisco** on Wednesday, Nov. 20. For information and registration, go to **VisitEuropeMediaExchange.com**.

Media registration will open in August.

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