

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • JULY 30, 2013

1. **U.S. traffic to Europe rose by 3.4 percent in June, the first month this year in which it increased.** U.S. departures for Europe totaled 1,549,743, according to the latest figures from the Dept of Commerce. June is consistently the strongest month for U.S. travel to Europe, and this was the strongest June since at least 2007.

U.S. departures for Europe are still down for the year, but only by 0.5 percent. Thus a peak-season surge seems on the verge of making up for a slow winter and early spring. See the **Volume of U.S. Travel** chart.

NEXT ISSUE: Overall Trans-Atlantic Traffic in July

2. **Trans-Atlantic airfares** on major routes are holding steady for the summer, but **will drop as much as 23 percent by mid-September.** Unfortunately, they will still be higher than off-peak fares tracked a year previously. See No. 8 below.
3. **Fatal accidents in Europe**—two involving trains and one with a tour bus—killed 119 people and injured far more. See Nos. 13 & 14.

U.S. ECONOMY ON THE VERGE

4. **Expectations are not high for the first estimate of 3rd Q growth** in the U.S., due out Wednesday morning: The consensus guess is 1.0 percent or less. Equally important will be the July jobs report, due Friday.

A week ago, **the Dow closed at a new high of 15,568**, having shaken off concerns about Federal Reserve “tapering” and a slowdown in China, and then pulled back. **Oil prices dropped to \$105 after spiking to more than \$107** per barrel. Also up over the past two weeks are **gasoline prices, now at \$3.62** per gallon (national average).

5. **Sales of existing homes dropped 1.2 percent in June** compared to a stellar May, but were still up 15.2 percent from June 2012. The national median price was \$214,200,

up 13.5 percent from a year ago, the 16th consecutive month of such price increases. The median number of days on the market has dropped from 70 to 37 days over the year.

But sales of new homes hit a five-month high in June, up 8.3 percent over May and up 38.1 percent over June 2012. The median price fell 5.0 percent to \$249,700 compared to May. The numbers may have been suppressed slightly by an increase in average rates for 30-year mortgages from 3.81 percent to 4.46 percent.

6. Consumer confidence dropped slightly. The Conference Board index declined to 80.3 in late July from a revised 82.1 in late June, which had been the highest for this index since January 2008.

Previously, the Thomson Reuters/Univ. of Michigan index dropped to 83.9 in early July from a revised 84.1 in early June.

7. The dollar dropped to just over €0.75, but was still within a relatively narrow trading range with the euro range; that’s been the case since February.

FALL FARES DROP, U.S. CARRIERS REPORT 2nd Q PROFITS

8. Fares on the routes we track are dropping 18 to 23 percent as of mid-September. But the decline for November is considerably less than it was a year ago. Highlight: The lowest New York-London fare for Sept. 11-18 travel fell \$51 between late June and late July, but remained well above last year’s equivalent quote.

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

Travel dates:	Aug. 14-21 compared to late-June quote)	Sept. 11-18 compared to late-June quote)	Oct. 16-23 compared to July '12 quote)	Nov. 13-20 compared to July '12 quote)
New York–London	\$1,142 (\$1,139)	\$877 (\$928)	\$877 (\$751)	\$835 (\$701)
Chicago–Paris	1,306 (1,305)	1,074 (1,128)	1,072 (919)	1,029 (869)
San Fran.–Frankfurt	1,507 (1,483)	1,218 (1,200)	1,218 (1,050)	1,117 (1,000)

9. U.S. airlines reported a sizeable 8.0 percent increase in trans-Atlantic yields in June, to 16.1 cents per rpm, compared to June 2012, according to Airlines for America. It was the largest percent increase in monthly yield since November 2011 and followed a flat month in May. It’s just more evidence that airlines have, together, successfully managed trans-Atlantic capacity to push fares up through the fall.

10. The leading U.S. trans-Atlantic carriers made money in the 2nd Q, not with

big increases in revenue, but by spending less, particularly on fuel:

Delta led with a net income of \$685 million (compared to a loss of \$168 million a year ago). That took into account fuel-hedge adjustments and other special items that cost a total of \$159 million. Revenue was \$9.7 billion (-0.2 percent), so the profit margin was a respectable 7.1 percent. A hedge-aided, 21-percent reduction in fuel costs was a major factor.

United reported net income of \$469 million (+38 percent) on revenue of \$10.0 billion (+0.6 percent). Much of the increased profit was due to a 10-percent drop in 2nd Q fuel bills. "We have clearly turned the corner post-merger," said Jeff Smisek, the chairman and CEO, who also indicated United would continue to add fees and to revenue-manage new Economy Plus seats.

American reported a \$220-million profit (compared to a \$241-million loss a year ago) on revenue of \$6.4 billion (down slightly from a year ago). The profit would have been greater except for \$137 million in special items related to reorganization and the merger with US Airways. Jet fuel was down 3.2 percent; wages and salaries were down 18.4 percent.

11. Meanwhile, **Air France/KLM remained in the red with a loss of €163 million** for the quarter, albeit much reduced from the €897 million loss of a year ago (41 percent of which was restructuring charges). Revenue was €6.6 billion (+1.2 percent). An operating profit of €79 million was more than wiped out by fuel-hedge charges, interest costs and foreign-exchange losses.

Air France/KLM's brand-new chairman, Alexandre de Juniac, said its Transform 2015 was still working toward growth, with particular effort to turn around medium-haul and cargo operations (the latter lost €50 million for the quarter).

Lufthansa and IAG (British Airways-Iberia) report later this week.

12. **Delta said it would launch non-stop service from Seattle to Heathrow next March**, assuming that its joint-venture with Virgin Atlantic clears the last approval hurdle with the Dept. of Transportation approval. Delta, which plans to fly a 767-300, would be taking on British Airways, which has been flying the route with a 747-400 for some time.

In the deal with Virgin deal (of which Delta is buying 49 percent), Delta gains access to more Heathrow slots; Seattle will be its sixth U.S. gateway to Heathrow, in addition to JFK, Boston, Atlanta, Minneapolis and Detroit.

ACCIDENTS IN SPAIN, ITALY, SWITZERLAND; COSTA CONCORDIA SENTENCES

13. Too fast. **The Madrid-Ferrol train that jumped a curve July 24 as it approached the Santiago de Compostela station was going more than 100 mph** in a 50-mph

zone, according to the early assessment of investigators. The driver, charged with negligent homicide, told one rescuer that he needed to brake “but couldn’t,” according to a news report. Investigators are also checking black boxes aboard the locomotive as well as the operation of “dead-man” signals.

Seventy-nine of the 240 passengers and crew died and 70 more were still in the hospital as of Monday. The Alvia train (second to Spain’s AVEs at a top running speed of 155 mph) was several minutes behind schedule when the accident happened, according to one report.

The next-day celebration of the Feast day of Santiago, patron of all Spain, was canceled in favor of masses for the accident victims, who included two Americans among the dead.

14. More accidents: On Sunday, a **tour bus went out of control, bounced off several autos and then through an autostrade viaduct railing to plunge into a ravine** near Monteforte-Irpino in Avellino. Thirty-nine children and adults died, including the driver; no more than 50 people were on the bus. The group of friends and relatives, most from Pozzuoli, west of Naples, were returning from a weekend excursion to a spa.

On Monday, **two Swiss regional trains collided head-on** near the Granges-près-Marnand station in the canton of Vaud; one of the train drivers died; 44 were hurt.

15. **Two Costa Concordia officers, two crew members and a Genoa-based Costa official have been sentenced** for their roles in the foundering of the mega cruise ship in January 2012: Roberto Ferrarini, Costa’s emergency manager, was sentenced to 34 months in prison; Manrico Giampedroni, the ship’s “hotel director,” to 30 months; First Officer Ciro Ambrosio, to 23 months; Third Officer Silvia Coronica, to 18 months; and helmsman Jacob Rusli Bin, to 20 months. All were the result of guilty pleas to charges of multiple manslaughter and personal injury; and, in the case of the officers and helmsman, to shipwreck. The pleas can still be appealed by the defendants; the sentences by prosecutors who said they were too light.

The only person still facing trial—and a far lengthier sentence if convicted—is the captain, Francesco Schettino. That trial opened July 9, only to be adjourned to September in the face of a lawyers’ strike and the summer break. Thirty-two people died in the accident; 150 were hurt; crews are attempting to float the \$570 million ship for eventual breaking for scrap.

TURKEY, EXPEDIA, AMSTERDAM-NEW YORK, VEMEX

16. **U.S. and European traffic to Turkey dropped in June** as expected. That’s when protestors clashed with police in Istanbul’s Taksim Square (and in other cities) over several weeks. The number of American visitors declined 9.4 percent to 96,663,

according to preliminary numbers from the Ministry of Culture and Tourism.

But the year began well for U.S. traffic, and totaled 327,000 American arrivals through June, or 1.5 percent more than a year ago. Total international traffic to Turkey was up nearly 5 percent for June and up 14.4 percent for the first six months. The protests against the Erdogan government have subsided.

A U.S. State Dept. travel alert—not a more serious warning—remains in effect: See http://istanbul.usconsulate.gov/em_060513.html.

17. **Amsterdam and New York have agreed to a one-year cross-promoting partnership.** The two cities will help each other with social media, PR and advertising (that could include street-lamp banners, a favorite of NYC & Company). KLM is the official airline partner in both directions.
In 2012, 4000,000 Americans visited Amsterdam for an average 2.5 overnights each; New York—née New Amsterdam—was the No. 1 destination for Dutch travelers to the U.S., accounting for 54 percent of the 370,000 total.
18. **Expedia reported a 2nd-Q profit of \$71.5 million**, but that was down 32 percent from a year ago, despite a 16-percent increase in revenue to \$1.2 billion. That was on a 13-percent increase in gross bookings to \$10.1 billion. But increased spending on advertising and marketing (+33 percent to \$587 million) to meet challenges from Priceline and TripAdvisor cut into the profit, as did relatively poor results (not broken down) from Hotwire.com.
19. **Royal Caribbean reported a small profit of \$24.7 million** in the 2nd Q (compared to a \$3.7-million loss a year ago) on total revenue of \$1.9 billion (+3.4 percent). The company indicated that the May fire aboard the *Grandeur of the Seas* and subsequent cancellations of cruises reduced income by \$10 million or more.
20. **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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VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS

JUNE 2013

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.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	% change from 2012
January	671,177	713,703	748,042	734,184	739,893	753,241	668,221	664,807	568,471	580,304	563,169	- 2.9
February	591,131	655,434	649,274	638,319	626,434	668,385	568,968	544,768	414,958	493,931	480,637 *	- 2.7/ + 0.8
March	808,794	982,275	992,917	1,025,478	1,041,834	982,679	847,090	852,371	773,308	823,312	797,405	- 3.1
April	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	806,302	832,117	815,393	- 2.0
May	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	1,206,206	- 0.6
June	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	1,549,743	+ 3.4
										5,441,697	5,412,553	- 0.5
July	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		
August	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		
September	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		
October	872,409	897,683	941,909	980,856	1,038,804	916,328	920,191	831,219	844,142	852,344		
November	785,206	821,219	811,118	816,098	856,815	765,079	748,994	640,639	644,948	646,447		
December	888,149	900,717	902,504	913,995	954,698	888,886	845,496	688,213	729,039	739,858		
Final **	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	11,244,637		
	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	11,244,637		

** 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.

* Because February '12 had 29 days, average DAILY increase for February '13 was 0.8 percent.