

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • JUNE 15, 2012

MAY: OVERALL TRAFFIC DOWN; 1st Q: EUROPEAN TRAFFIC TO U.S. UP

1. **Overall trans-Atlantic traffic dropped in May by an average 1.4 percent** on the six leading carriers, compared to May 2011. Average capacity was down 2.3 percent, with four of the six cutting back; American slashed ASMs by 12 percent. The average load factor was up slightly from April to 84.6. See No. 10 below and the **Trans-Atlantic Traffic Trends** chart.
2. **Europeans made 30 percent more trips to the U.S. (2.47 million) in the 1st Q than Americans made to Europe (1.90 million)**, according to the latest figures from the Dept. of Commerce. And European traffic was rising at a faster pace (+10.1 percent for the quarter and +19.9 percent in March, as opposed to U.S. trips to Europe (+6.5 percent through April). That continued the pattern of recent years. See No. 9 below.

WORLD HANGS ON GREEK ELECTION

3. **Sunday is the next and most portentous D-Day yet in the euro-zone crisis** as Greece votes for the second time in six weeks, possibly to elect a government that will tear up austerity/bailout agreements with the EU and the IMF which could, in turn, lead to bankruptcy and departure from the euro for Greece, and much-increased pressure on struggling Spain and Italy.
In the lead up, Spain was hit by 7-percent rates in its latest debt sale despite promises for €100 billion worth of support for its bleeding banks from European leaders. The latter are moving more quickly with more unity to build firewalls, but they are not yet ahead of events.
4. Right now, **the worrisome slowing of the U.S. recovery, and the deceleration of growth in China and India appear to be secondary to the euro drama**, and very much dependent on its outcome.
5. **The U.S. is approaching its own 'fiscal cliff'**—the Dec. 31 expiration of all the Bush tax cuts and of the two-year reduction of Social Security payroll taxes in combination with spending cuts totaling \$1 trillion. Congress and Pres. Obama must act to avert what could be an economy-killing free-fall in spending by both citizens and government. Democrats and Republicans are far apart on what is likely to be a central issue of the Nov. 5 election.

6. **The dollar slipped from its 23-month high of €0.81 to €0.79**, with traders awaiting “clarification” of the euro-zone situation.
7. **The May employment report for the U.S. shocked markets** with only 69,000 new jobs recorded, and the first upward tick in months in the unemployment rate, to 8.2 percent. Worse, job gains for March and April were revised downward by 16.7 percent to a combined 220,000.
8. More economic positives and negatives: **U.S. gasoline prices keep on falling, to \$3.54 per gallon** of regular (national average). **Oil prices were down again**, to less than \$83 a barrel, thanks to slumping demand (the year’s high was \$106 in March). **Consumer confidence** slumped. The Thomson Reuters/Univ. of Michigan index dropped to 74.1 in early June from a revised 79.3 in early May (the latter was a 4½-year high). Previously, the Conference Board said its index had dropped to 64.9 in late May from a revised 68.7 in late April. **Stock markets stumbled along**, with the Dow up Thursday to 12,652.

1st Q WAS VERY GOOD FOR TRAFFIC; WILL IT LAST?

9. **European trans-Atlantic travelers appear to be ignoring the economic blues at home**, with 1st-Q visits to the U.S. up 10.1 percent this year (see No. 2 above). But the current growth in both directions cannot continue at high rates with airlines cutting back on capacity. We foresee U.S. traffic to Europe running just 2 or 3 percent better than last summer, and European traffic to the U.S. decelerating even more sharply.
10. **American Airlines, with the smallest share of trans-Atlantic capacity of the six leading carriers, slashed ASMs in May by 12 percent**, pushing its total capacity for the year down from +1.9 percent through April to -7.5 percent through May. As a result, traffic was down 9.6 percent. However, much of that was made up by joint-venture partners British Airways/Iberia, which increased trans-Atlantic capacity 5.4 percent and traffic 6.9 percent. American, in bankruptcy reorganization, has redirected some aircraft to Latin America and the Pacific; capacity on the latter routes was up 7.5 percent through May.

American’s peak-season reduction came after the three major U.S. trans-Atlantic carriers—Delta, United and American—last month announced intentions to reduce capacity in the 4th Q by a combined 7.8 percent, anticipating that Europe’s slowing economy will reduce demand. One result of that: The only non-stops to Athens will be on US Airways out of Philadelphia; there will be no winter flights from New York.

See the **Trans-Atlantic Traffic Trends** chart.

11. **European airlines are now projected to lose \$1.1 billion this year**, up from the \$600 million loss projected three months ago, according to the International Air Transport Association. The euro crisis and European recession were cited. Overall, world airlines should eke out a

combined \$3 billion profit (for a profit margin of just 0.5 percent), with North and South American carriers doing better than projected earlier, thanks to lower fuel prices.

12. As of June 1, **United joined Delta in raising second-checked bag fees to \$100 (from \$70) on flights to Europe** and other overseas destinations. United collected \$277 million in baggage fees in 2011; Delta \$864 million. In Delta's case, those fees were more than equal to its entire 2011 profit of \$854 million.

First checked bags incur no fee on either United or Delta flights to Europe.

13. **Problems with automatic controls for a complex smoke-dispersion system led to the nine-month postponement of the opening of Berlin's new €2.5 billion airport.** Airport officials had hoped that fire-safety inspectors would accept a temporary plan that would depend on hundreds of temporary workers to open exits and manually open sprinklers in the event of a fire. But that "man-machine" interface scheme was rejected by inspectors from Dahme-Spreewald, the responsible jurisdiction.

Terminals are sealed for security and passenger flow. That makes them dangerous in the event of a fire, like that which killed 17 people (mostly by smoke inhalation) and injured many more in Düsseldorf's Terminal A in April 1996.

Berlin Brandenburg Airport Willy Brandt (BER) was also deemed to be short of check-in desks and baggage-handling facilities after walk-throughs involving hundreds of pretend passengers.

Tegel and Schönefeld will continue to operate until the BER opening, now set for March 17.

14. **Exhibitors are registering for the upcoming Visit Europe Media Exchange at VisitEuropeMediaExchange.com.** The next edition of VEMEX takes place this fall at the Harvard Club in **New York**, Oct. 22, and at the Hilton in **Chicago**, Oct. 25.

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, contact Lois Gerber at Vemex-Exhibitors@visiteuropemediaexchange.com or by phone at 732/ 222-8128.

Media registration will open in mid-summer.

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Trans-Atlantic Traffic Trends, May '12

Compared to previous year, +/- percent

RPMs	June '11	July '11	Aug. '11	Sept. '11	Oct. '11	Nov. '11	Dec. '11	Jan. '12	Feb. '12 *	March '12	April '12	May '12	ASMs (May '12)	Load Factor
Delta (Sky)	- 1.1	- 1.1	- 2.4	- 7.6	- 10.3	- 11.0	- 7.3	- 4.2	+ 3.1	- 0.4	- 6.1	- 4.4	- 5.4	84.6
Air France/ KLM (Sky)	+ 6.4	+ 9.6	+ 10.7	+ 12.2	+ 8.6	+ 6.2	+ 9.0	+ 8.3	+ 13.1	+ 9.7	+ 2.3	- 1.8	- 2.6	86.7
United (Star)	- 2.0	- 2.4	- 5.8	- 2.1	- 7.9	- 4.1	- 1.1	- 1.9	+ 0.8	+ 1.4	- 6.0	- 1.7	- 0.1	81.7
Lufthansa/ Swiss/ Aus. (Star)	+ 4.0	+ 7.5	+ 6.1	+ 3.9	+ 2.3	+ 4.2	+ 2.9	- 0.3	+ 0.8	+ 6.0	+ 1.5	+ 2.0	+ 1.0	86.2
American (One)	+ 1.5	+ 2.1	+ 2.5	+ 0.5	- 0.6	- 2.8	+ 4.8	+ 3.1	+ 8.0	+ 2.0	- 2.7	- 9.6	- 12.0	83.3
British Airways/ Iberia (One)	+ 16.3	+ 7.6	+ 6.5	+ 7.3	+ 8.7	+ 14.0	+ 23.3	+ 8.5	+ 11.1	+ 16.3	+ 6.8	+ 6.9	+ 5.4	85.0
Leading-carriers average	+ 4.2	+ 3.9	+ 2.9	+ 2.4	+ 0.1	+ 1.1	+ 5.3	+ 2.3	+ 6.2/+2.5	+ 5.8	- 0.7	- 1.4	- 2.3	84.6

ALL CARRIERS
(Airlines for America +
Assoc. of European Airlines)

+ 0.0

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

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