

# TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • JUNE 5, 2013

## U.S. VISITS TO EUROPE CONTINUE TO DROP

1. **U.S. visits to Europe declined in April for the fourth consecutive month**, according to the latest figures from the U.S. Dept. of Commerce. The decrease for the month was 2.0 percent to 815,393. For the year, U.S. visits are down 2.7 percent. See the **Volume of Travel to Europe** graph.
2. **For the seven-month off-peak season** (Oct.-April), **U.S. traffic was down 1.1 percent**, according to the Dept. of Commerce numbers. That ended the steady growth that began in the peak months of 2011 (+3.7 percent) and continued in the off-peak season of '11-'12 (+4.8 percent) and the peak season of 2012 (+3.8 percent).  
The steady downward trend—in an essential market that is recovering economically—should be of concern to European tourist interests.

**NEXT ISSUE: Overall Trans-Atlantic Traffic in May  
Will the Peak Season Pick Up?**

3. **Not helping right now are floods in Central Europe and widespread street protests in Istanbul** and other Turkish cities (although tourists are not targets), the latter followed a week of riots in a Stockholm suburb. See Nos. 18 & 19 below.

## EUROPE RAN 6th CONSECUTIVE TRAVEL DEFICIT WITH U.S. IN 2012

4. **The U.S. achieved an \$8.09-billion surplus in travel and tourism receipts at Europe's expense in 2012**, according to preliminary numbers from the Dept. of Commerce. It was the sixth consecutive year of travel surpluses for the U.S. vis-à-vis Europe, and was \$1 billion larger than the 2011 surplus (as revised). On non-airfare spending, the U.S. surplus was \$10.95 billion. On airfares alone, Europe won a surplus of \$2.86 billion.  
According to other Dept. of Commerce data, the deficit widened for Europe **even though European visits to the U.S. declined in 2012** (–1.4 percent through

November) while U.S. visits to Europe increased (+3.9 percent).

**European visitors to the U.S. still outnumbered Americans going the other way;** in 2011, 16.9 percent more Europeans visited the U.S. than Americans visited Europe. And those Europeans spent 24 percent more per person in the U.S., on average, than Americans spent in Europe.

**Tourism has proven to be an important source of trade surpluses for the U.S.,** amounting in 2012 to \$50 billion vis-à-vis the rest of the world. On overall trade, the U.S. has been running deficits since 1976. The \$540.4 billion 2012 deficit was down only 3.5 percent from the record deficit of 2011.

**Travel receipts:** \$35.35 billion

**Airfares (paid to U.S. carriers):** \$11.59 billion

**TOTAL (exports):** \$46.94 billion (+8% over 2011)

**Travel payments:** \$24.40 billion

**Airfares (paid to European carriers):** \$14.45 billion

**TOTAL (imports):** \$38.85 billion (+7%)

**SURPLUS TO U.S. / DEFICIT TO EUROPE:** \$8.09 billion (+14%)

5. **The \$3.82 billion travel surplus with Britain accounted for nearly half of the total U.S. surplus with Europe.** Breakdowns were given for several other nations, only one of which, Italy, scored a surplus against the U.S. (\$262 million).

The others: France, -\$763 million; Belgium/Luxembourg, -\$711 million; Germany, -\$640 million; and the Netherlands, -\$280 million.

Final 2012 travel-trade numbers may not be issued before next winter. See: <http://tinet.ita.doc.gov/research/reports/recpay/index.html>.

### **A GOOD MAY FOR U.S. ECONOMY; COULD IT FALTER IN JUNE?**

6. **The U.S. recovery appeared to be maintain altitude,** if not momentum, with the next critical jobs report due Friday. First Q growth was revised downward slightly from 2.5 percent to 2.4 percent in the latest estimate from the Dept. of Commerce.
7. A few more U.S. economic positives and negatives: **Oil prices** were at \$94 a barrel, **continuing in the same \$92–\$97 range** of the past few weeks. **Gasoline prices were similarly stable at \$3.61** per gallon (national average).

**The Dow set a new record May 28 at 15,409,** before dropping more than 280 points by the end of last week and dipping below 15,000 today. Selling was inspired by the sudden downturn in the Japanese Nissei.

8. **Sales of homes continued to rise in April**, with existing-home sales up 9.7 percent over April 2012. The national median price was \$192,800, up 11 percent. The median was up over the previous year for the 22nd consecutive month. Median time on the market was 46 days, down sharply from 83 days.

Sales of new homes were up a stunning 29 percent over a year ago (but up only 2.3 percent compared to a strong March). The median new-home price was a record \$271,600, up 15 percent from a year ago. **Problems?** Not mortgage rates, which continue at near-record lows, with 30-year fixed-rates at an average 3.59 percent. But a high percentage of sales are going to investment firms, not to individuals.

9. **Consumer confidence is up, again.** The Conference Board index jumped to 76.2 in late May—a five-year high—from a revised 69.0 in late April.

Lynn Franco of the Conference Board said confidence “may be regaining the traction it lost due to the fiscal cliff, payroll-tax hike and sequester.” The sequester cuts that began to go into effect March 1 are having a slowly widening impact on federal programs and jobs.

Previously, the Thomson Reuters/Univ. of Michigan index soared to 83.7 in early May from a revised 76.4 in early April.

10. **The dollar dropped slightly vs. the euro** from nearly €0.78 to €0.765. See **The Dollar vs. the Euro** graph.

### DELTA OPENS JFK TERMINAL, SUMMER FARES PEAKING

11. **Summer fares are peaking for flights in June, with the lowest New York-London roundtrip at nearly \$1,300.** In most cases, the fares we watch drop off slightly for July but still run as much as 11 percent ahead of last year.

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

Travel dates:	June 12-19 compared to early-April quote)	July 17-24 compared to early-April quote)	Aug. 14-21 compared to May '12 quote)	Sept. 11-18 compared to May '12 quote)
New York–London	\$1,294 (\$1,275)	\$1,294 (\$1,275)	\$1,132 (\$1,079)	\$989 (\$884)
Chicago–Paris	1,654 (1,499)	1,426 (1,399)	1,314 (1,399)	1,168 (1,606)
San Fran.–Frankfurt	1,795 (1,606)	1,677 (1,581)	1,606 (1,550)	1,581 (1,635)

12. It's not the discipline over capacity and resulting “pricing-power” that seems to be saving those airlines that are managing to fly in the black: **Once again it's baggage**

**and reservation-change fees**, according to the U.S. Bureau of Transportation Statistics. These totaled \$6.1 billion for all U.S. airlines in 2012 and more than accounted for their entire combined operating profit margin of \$5.9 billion (3.7 percent).

Delta alone took in \$865.9 million for baggage fees and \$778.4 million for ticket-changes, or far more than its U.S.-industry leading \$1-billion profit for the year (Delta's operating profit was \$2.7 billion, but various special charges brought that down).

And these numbers don't include other extra charges—for food, for extra legroom, for the chance to board first—which could double a carrier's ancillary income.

13. **Delta opened its \$1.4-billion expansion of JFK's Terminal 4 last week**, finally centralizing its international operations at the nation's No. 1 gateway to Europe. Within another two years, Delta's domestic flights to JFK will be drawn closer to Terminal 4 in a new array of gates replacing Terminals 2 and 3.

Delta added nine international gates with a considerable extension of Concourse B, and rebuilt seven others. Terminal 4's Concourse A is used by an array of other carriers, including Virgin Atlantic, Swiss, KLM, Czech and Air Europa.

Delta is the leading U.S. trans-Atlantic carrier, although it has reduced capacity over the past two years; it operates across the Atlantic as an equal partner with Air France/KLM. It expects to work similarly with Virgin Atlantic pending government approval. See No. 25 below for more on JFK's various terminals.

14. **LOT Polish Airlines brought the Dreamliner to JFK Saturday**, moving the date up from June 30, with the return flight to Warsaw taking off in the evening. LOT, the first airline to operate the 787 across the Atlantic, originally introduced the plane to Chicago's O'Hare in January, only to see the plane grounded for months because of the lithium-battery problem. LOT resumed Chicago-Warsaw 787 flights today.

15. **New service to Europe:** Delta opened Newark-Paris service in conjunction with Air France. American said it will begin flying from its Miami hub to Milan (Malpensa) Nov. 21.

US Airways renewed service May 22 from Philadelphia to Shannon; the route had not been served for four years. US Airways flies year-round from Philadelphia to Dublin and seasonally from Charlotte to Dublin.

16. **Ryanair may be required to sell its near 30-percent stake in Aer Lingus**, said Britain's Competition Commission. Ryanair developed its large stake in mounting several takeover attempts that have been blocked by regulators. The commission is now concerned that the Ryanair holding prevents Aer Lingus from merging with another carrier and could weaken Aer Lingus in its competition with Ryanair on Ireland-Britain routes. Ryanair said it would appeal any final ruling against it.

17. **All backscatter body scanners have been removed from U.S. airports**, as promised by the Transportation Security Administration. The scanners projected a too-revealing X-ray view of screened passengers, critics said. The 700 millimeter-wave scanners still in place display items on a generic body outline, as required by Congress in response to the concerns over privacy.

## PROTESTS IN TURKEY, FLOODS IN CENTRAL EUROPE

18. Several days of **street rioting broke out in a northern and partly immigrant suburb of Stockholm** May 19 in response to the shooting death of an older man by police. Calm was restored, but not before scenes not usually associated with Sweden were broadcast worldwide.
- More serious and long-lasting were **street protests against the Erdogan government that erupted in Istanbul's Taksim Square** last Friday and spread to Ankara, Izmir and other cities. The U.S. State Dept. issued a travel alert Tuesday—urging American visitors to avoid demonstrations—but did not caution against travel to Turkey. Neither tourists generally nor Americans specifically are considered targets.
19. **Fours days of heavy rains flooded major rivers and tributaries in Central Europe.** Passau, Germany, where the Inn and Ilz meet the Danube, reported the highest floodwaters in 500 years. Prague's mayor told tourists to stay away as the city struggled with a Vltava river flow at 10 times the usual volume. The Rhine and the Elbe also rose to rarely seen levels; navigation was curtailed. Austria was equally soaked, especially around Salzburg.
- Dozens of cruise boats were idled**, and scores of departures were delayed or canceled. The weather is expected to clear this week, but the Danube flood crest is only slowly descending toward Bratislava and Budapest.
20. The cause of **the fire that burned for two hours May 27 on the aft mooring deck of Royal Caribbean's *Grandeur of the Seas*** is yet to be determined. None of the 2,224 passengers and 796 crew were hurt, and the ship, bound from Baltimore for CocoCay in the Bahamas, never lost power. Passengers disembarked the same day in Freeport and were flown back to Baltimore by the cruise line. At least three sailings (through July 12) have been canceled while the ship undergoes repair in Freeport.
21. **The captain of the ill-fated *Costa Concordia* is expected to go on trial July 9.** Charges against Francesco Schettino include manslaughter and abandoning ship.
- Italian investigators said that he was sailing too close to the rocky coast of the island of Giglio, moving too fast (15.5 knots) for nighttime conditions, failed to use a large-scale chart, and delayed sounding an abandon-ship alarm. The report from the

Ministry of Infrastructures and Transportation cited Schettino's "unconventional behavior" prior to the grounding and during the confused evacuation of 3,229 passengers and 1,023 crew. Thirty-two people died and 20 required hospitalization.

Costa's salvagers are working to float the hulk by December and tow it to a yard to be broken up. The *Concordia* was launched in 2007 at a cost of €450 million.

## 22. **Major U.S. cruise lines are moving ships out of European waters next year.**

Europeans were their main source of increased bookings in recent years, but Europe's recession is taking its toll. Carnival Cruises will move one ship to Australia and keep the others in North America for the summer; Regent is moving both of its ships out; Princess will reduce its European flotilla from seven to five ships; Royal Caribbean has assigned nine ships, but the huge Oasis of the Seas will sail only three times. Andrew Sheivachman laid out the details in [TravelMarketReport.com](http://TravelMarketReport.com).

## VISITBRITAIN: THE 'GREAT' PROMOTION WORKED; DON'T STOP

23. In its campaign to retain adequate marketing funds from the government post-Olympics, VisitBritain released a survey that found **potential visitors are twice as likely to say they will visit Britain in the coming year if they can recall exposure to campaign ads and images**. The office is making the case that promotional spending must continue in key overseas markets if Britain is to maintain the momentum generated by the Olympics and the Queen's Jubilee. Under the current plan, VisitBritain will limit promotion—which could include a heavy Downton Abbey element—to digital channels.

In the two years leading up to the Olympics, VisitBritain spent £25 million on its GREAT promotion, targeting 14 major metro areas in 2012, including New York and Los Angeles in the U.S. But when one thinks about it, that's so much to spend worldwide. And a two-city program misses most of the U.S. market.

24. **A warship that sailed for Henry VIII is now on display** in a special museum in the Portsmouth Historic Dockyard, 468 years after it sank a few miles away during the Battle of the Solent. Much of the 115-foot wooden hull, raised in 1982, is preserved in an air-tight chamber with viewing windows; the chamber won't be opened before the hull is fully dry, probably in 2017. But the greater treasure is the vast collection of artifacts—comprising a "window" on Tudor England—including guns, anchors, tools, wooden bowls, clothes, boots and the skeleton of the ship's dog, Hatch. See [www.MaryRose.org](http://www.MaryRose.org). and [www.HistoricDockyard.co.uk](http://www.HistoricDockyard.co.uk).

The new museum overlooks *HMS Victory*, Lord Nelson's flagship at Trafalgar and still very much in commission, preserved in dry dock.

The *Mary Rose* is the earliest warship of its type to be preserved. Sweden's

famous (and more structurally complete) *Vasa*, on display since 1989 in its own custom museum in Stockholm, sank on its maiden voyage 83 years after the *Mary Rose* went down.

## THE TERMINALS OF JFK: A DRIVE-BY HISTORY

25. **Here's a brief tour of JFK terminals**, thanks mostly to Wikipedia: First from the Van Wyck Expressway approach is **Terminal 1**, opened in 1998 by a partnership of Air France, Lufthansa, Japan Airlines and Korean Air; they wanted out of the old International Arrivals Building. Many other foreign carriers operate there as well, including Alitalia, Austrian, LOT, Turkish, Brussels and Norwegian Air Shuttle.

**Terminal 2**, dating back to 1962, is Delta's gateway for domestic flights, connecting with **Terminal 3** (the old Pan Am Worldport, where jetways were introduced to JFK), which Delta took over when it bought the bulk of Pan Am in 1991. Under the latest plan, Terminal 3 will be demolished to make way for a new structure, also to be an extension of Terminal 4. Delta's domestic flights will move there in 2015 and then Terminal 2 will be demolished.

**Terminal 4** was opened in 2001 to replace the obsolete International Arrivals Building, for 40 years the entrance to New York for those arriving on foreign carriers. Terminal 4 is managed by the Dutch-owned Schiphol Group for the Port Authority.

**Terminal 5** opened in 2008 as Jet Blue's hub; Aer Lingus moved in earlier this year. Terminal 5 also includes Eero Saarinen's famous winged terminal built for TWA. The latter is closed for renovation with no decision yet on its future use. **Terminal 6**, demolished two years ago, was designed by I.M. Pei and opened in 1970 by National Airlines. Jet Blue operated there before moving into the new Terminal 5. A Jet Blue international extension from Terminal 5 will take up some of the old Terminal 6 footprint.

**Terminal 7** has been renovated and expanded three times since its 1970 opening. It was built for BOAC, and is owned and operated by British Airways. Other tenants are Iberia, United and US Airways. Because of its trans-Atlantic alliance with American, BA and Iberia are now considering building a new pier connected to American's Terminal 8.

**Terminal 8**, the largest at JFK (annual capacity, 12.8 million passengers) was opened by American in 2007. It replaced the previous Terminal 8 and **Terminal 9**, both operated by American and both demolished. United was the original Terminal 9 occupant, but left in 1991 to move in with BA at Terminal 7.

26. **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**.



### VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS

APRIL 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
<b>January</b>	671,177	713,703	748,042	734,184	739,893	753,241	668,221	664,807	568,471	580,304	563,169	- 2.9
<b>February</b>	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
<b>March</b>	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
<b>April</b>	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	806,302	832,117	815,393	- 2.0
										2,729,664	2,656,604	- 2.7
<b>May</b>	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		
<b>June</b>	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		
<b>July</b>	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		
<b>August</b>	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		
<b>September</b>	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		
<b>October</b>	872,409	897,683	941,909	980,856	1,038,804	916,328	920,191	831,219	844,142	852,344		
<b>November</b>	785,206	821,219	811,118	816,098	856,815	765,079	748,994	640,639	644,948	646,447		
<b>December</b>	888,149	900,717	902,504	913,995	954,698	888,886	845,496	688,213	729,039	739,858		
	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		
<b>Final **</b>	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.



10/26/00  
dollar's high  
vs. euro  
€1.21

euro notes and  
coins 1/1/02  
\$1.00 = €1.13

One dollar equals:  
Interbank rate/ Monday closings

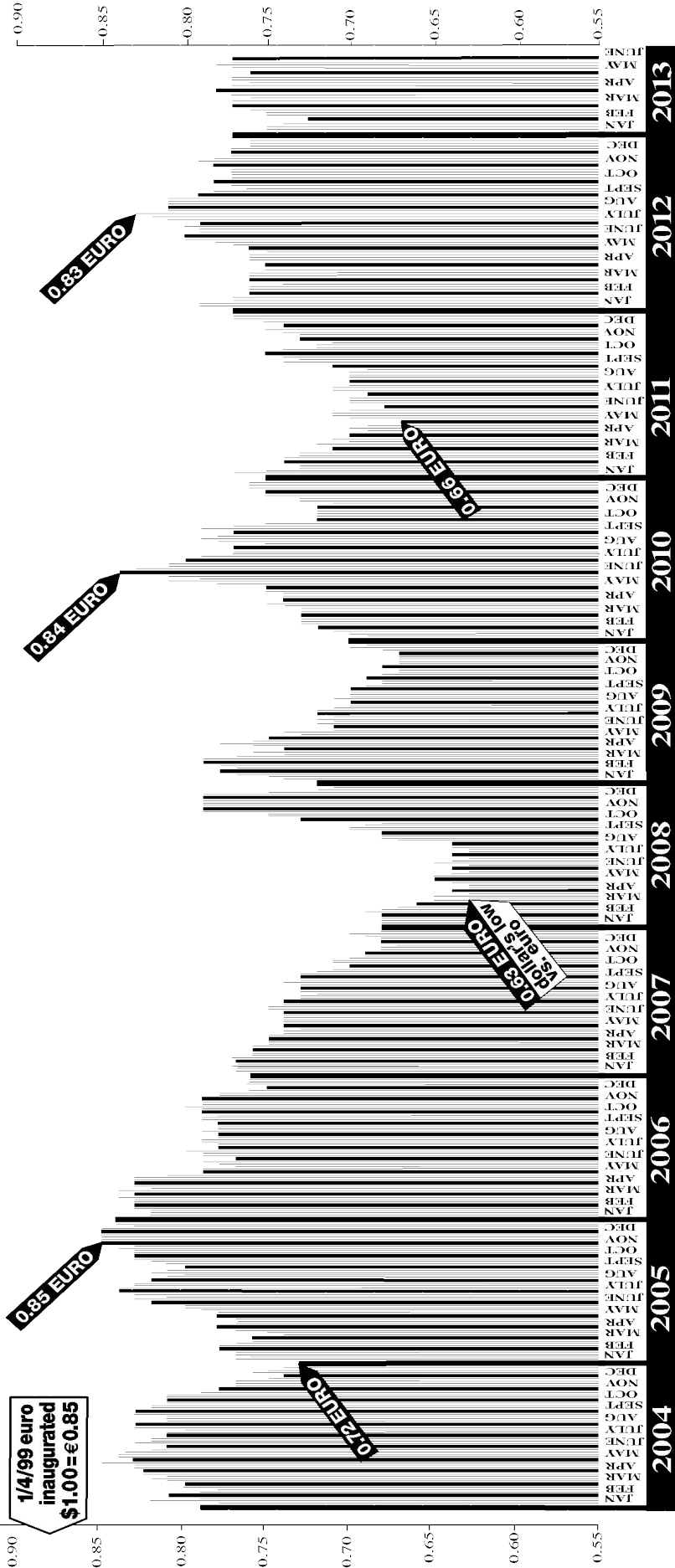
1/4/99 euro  
inaugurated  
\$1.00 = €0.85

0.63 EURO  
dollar's low

0.85 EURO

0.84 EURO

0.83 EURO



# THE DOLLAR VS. THE EURO 2013

Value of the U.S. dollar against the euro, the single currency of 17 European Union nations:  
Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy,  
Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

EU members Britain, Denmark and Sweden have so far opted out of the euro.  
Of the 12 nations that acceded to the EU in 2004 and 2007, Latvia is  
the next working to join the euro zone, in January 2014.