

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • MARCH 1, 2013

FEWER U.S. VISITS TO EUROPE IN JANUARY... AND FEWER EUROPEAN VISITS TO THE U.S. THROUGH 3rd Q

- 1. U.S. visits to Europe dropped 2.9 percent in January** compared to January 2011. The total was 563,169, according to the latest figures from the Dept. of Commerce. This is the first monthly decline of more than 0.3 percent since June 2011, but followed four months of only slight growth. See the **Volume of Travel to Europe** chart.
- 2. European visitors to the U.S. dropped slightly through the 3rd Q in 2012, to 9.53 million**, again according to the latest figures from the Dept. of Commerce. That was -0.6 percent, with the 3rd Q alone down 2.6 percent. Details: Eastern Europe was +7.3% through September; Germany, +4.7%; Switzerland, +3.2%; Sweden, zero; Netherlands, -0.6%; Britain and France, -1.5% each; Italy, -6.1%; and Spain, -13.0%.
The 0.6-percent drop for European visitors to the U.S. compares to a 4.6-percent increase in U.S. visits to Europe for the first nine months and a 3.9-percent increase for the year, as reported here last month. (We might not have final 2012 numbers for visitors coming into the U.S. for another nine weeks, due to processing delays on the part of the Dept. of Homeland Security.)

NEXT ISSUE: Overall Trans-Atlantic Traffic in February

ITALY REJECTS AUSTERITY, VOTES FOR...?

- 3. Italy's indecisive election last weekend raised new concerns over euro-zone sovereign debt.** Italy's cost of borrowing rose in the following days, but not dramatically; the European Central Bank has promised to buy the country's bonds at manageable rates if needed.
The center-left coalition (Pier Luigi Bersani) managed to win the lower house, but not the Senate. Its bid for support from the third-place party (Beppe Grillo) was rebuffed, and Bersani has ruled out working again with the center-right coalition (Silvio Berlusconi).
Definitely gone is the reform group, led by technocrat Mario Monti who introduced

the current austerity policies. They failed to win enough votes or seats to make any difference.

What's next is not clear; most of Rome and Europe was focused Thursday on the departure of Benedict XVI from the papacy. An historic conclave to replace a living pope is expected to begin shortly.

4. Looking ahead, **some say the Italian vote may foretell an end to austerity policies in other countries.** Austerity has been the prevailing prescription for the European Union's most debt-saddled nations, enforced by Germany's Chancellor Angela Merkel in return for her country's essential financial support.

But Cyprus voted for austerity on the same weekend in electing conservative Nicos Anastasiades by a wide margin. He endorses cutbacks in return for an EU bailout that could total €17 billion.

And no change is expected soon in Spain where Mariano Rajoy's conservatives enjoy a big margin and are not required to hold an election before January 2016. The next major euro-zone election will be Sept. 22 in Germany; Merkel's present coalition would fail to win a majority of seats if the election were held this month, according to polls.

The argument against austerity is that it is driving Europe more deeply into unemployment and recession, which returned to the EU in the 3rd Q last year.

GOING OVER THE 'SEQUESTER CLIFF'

5. **Of course, that's also the argument against the U.S. 'sequester' cuts of \$85 billion** this year (and \$1.2 trillion over 10 years) that begin to take effect today. The worry—shared by some conservatives—is that the cuts are so deep and so indiscriminate that they will force hundreds of thousands of layoffs and stall the U.S. recovery. Social Security and Medicaid are protected, and Medicare cuts are limited to 2 percent; the Obama administration is directing all other sectors to cut 8 percent of their current spending.

Questions: How much of the cutting can be delayed? How many jobs will actually be lost and when? Which side will reap the bulk of the blame, and will that side ultimately bend?

6. **Air-transport security and air-traffic control will take big hits**, resulting in long lines through airport checkpoints and operational delays.

Ray LaHood, the transportation secretary, said flights into major hubs, including New York, Chicago and San Francisco, could be delayed an extra 90 minutes during peak hours. That's because 47,000 employees of the Federal Aviation Administration will be furloughed one or two days per month, reducing air-control and maintenance manpower. In turn, airlines are expected to cancel flights and rearrange schedules.

7. **The impact on security check-in lines could be even worse**, said Homeland Security Secty Janet Napolitano. With 50,000 TSA workers to be furloughed, the peak-period wait at the busiest airports could stretch from the usual maximum of two hours to four hours. "Such delays will cause thousands of missed passenger connections daily, with economic consequences at both ends and at national levels," she said. International travelers may find that it will take twice as long to get through customs, thanks to the reduced number of inspectors.
8. **The U.S. Travel Association** said the security and air-control cuts seriously threaten a travel industry that "has led the recovery" in employment. Roger Dow, the USTA president, said the trade group would help frustrated travelers get their opinions to lawmakers in Washington if they text the word "DELAYED" to 877-877.

ASIDE FROM THAT, THINGS ARE LOOKING UP

9. **The U.S. economy did not shrink in the 4th Q, after all.** But GDP growth was hardly robust at +0.1 percent, according to the second estimate from the Dept. of Commerce. Estimated growth for all of 2012 is unchanged at 2.2 percent (compared to 1.8 percent for all of 2011). Most economists believe that growth is continuing in the 1st Q of this year, and many say the only roadblock is... the sequester.
10. Here are a few more U.S. economic positives and negatives: **Oil prices have fallen to \$93** from a recent high of \$98 per barrel. **But gasoline is still on the rise, to \$3.78** per gallon of regular (U.S. average), or 10.5-percent more than four weeks ago.
- Sales of new homes jumped in January by nearly 16 percent** over a December total that itself was revised upward, and reached a 4½-year high. The supply of both existing and new homes for sale is shrinking rapidly, pushing prices up. The housing recovery is in full swing.
11. **Stock markets bounced up and down.** The Dow plunged to less than 13,800 after the votes were counted in Italy, but soon recovered to open today at 14,054. Will the sequester lead to another plunge?
12. **Consumer confidence soared.** The Conference Board index rocketed more than 11 points to 69.6 in late February from a revised 58.4 in late January. Earlier in February, the Thomson Reuters/Univ. of Michigan index rose to 76.3 from a revised 73.8 in early January. It was the first month of confidence-index increases since November. Lynn Franco of the Conference Board said consumers have gotten over the rise in Social Security payroll taxes and showed little concern over the sequester. That, of course, could change quickly.

13. **The dollar is up vs. the euro**, to €0.76, as the Italian election results cast a new shadow on the euro zone. The sequester could change *THAT*.

IAG LOSES, IBERIA WORKERS STRIKE, FUME INCIDENTS ON RISE

14. **Fares appear to hold relatively steady for travel through May, then jump for June departures, as usual.** But those fares for June are only slightly higher than fares quoted at the same time a year ago.

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

travel dates:	March 13-20 (compared to late-Jan. quote)	April 17-24 (compared to late-Jan. quote)	May 15-22 (compared to Feb. '12 quote)	June 12-19 (compared to Feb. '12 quote)
New York–London	\$841 (\$844)	\$828 (\$844)	\$832 (\$809)	\$1,258(\$1,209)
Chicago–Paris	968 (948)	1,085 (948)	1,115 (1,126)	1,345 (1,323)
San Fran.–Frankfurt	1,080 (1,060)	1,067 (1,060)	1,087 (1,057)	1,591 (1,550)

15. **The International Airlines Group lost €997 million in 2012** on €18.1 billion revenue (+12.5 percent); €828 million of that loss was in the 4th Q (compared to a profit of €148 million in 2011) on revenue of €4.5 billion (+11.1 percent).

Both British Airways and Iberia were beset by higher fuel prices. But most of the shortfall was attributed the operational losses, and impairment and restructuring charges at Iberia, a victim of the deep recession in Spain and of low-cost competition. Willie Walsh, the IAG CEO, wrote that “(Iberia) must adapt to survive,” and that IAG is reducing Iberia’s capacity by 15 percent and eliminating more than 3,800 jobs as previously announced.

So far, only Delta among the leading trans-Atlantic carriers has reported a profit for 2012. Delta made \$1 billion, while United and American reported losses of \$723 million and \$1.9 billion respectively. Air France/KLM and Lufthansa will report results this month.

16. **Unions representing Iberia crew and baggage handlers launched the first of a series of five-day strikes** last week to protest the job reductions, which would amount to 19 percent of the work force. More than 70,000 passengers suffered cancelations or delays. The International Transport Workers Federation blamed Walsh for a breakdown of negotiations. Walkouts and protests are scheduled for next week and for March 18-22.

17. **In 2012, U.S. carriers had their best year for on-time arrivals since 2003**, a record success-rate of 99.7 percent in handling baggage and the lowest cancellation rate since 2002, according to the Transportation Dept.'s Air Travel Consumer Report.
- Less wonderful, **Airlines for America said that the combined 2012 profit of 10 leading U.S. carriers was only \$152 million**, 0.1 percent of combined revenue, which comes to only 21 cents per passenger carried. Expenses outpaced revenues; fuel alone totaled nearly \$50 billion at a record average, yearlong, of \$128 per barrel. The same carriers reported a combined profit of \$418 million in 2011.
18. **Busiest airports, 2012.** An item in the last issue on Istanbul's plans for a new airport gave outdated figures for airport traffic. Here are 2012 totals as posted by airport websites:
- | | |
|---|--|
| 1. Atlanta Hartsfield-Jackson, 95.5 million | 13. Denver, 53.2 million |
| 2. Beijing Capital, 80.0 million | 14. Bangkok Suvarnabhumi, 51.5 million |
| 3. London Heathrow, 70.0 million | 15. Singapore Changi, 51.2 million |
| 4. Chicago O'Hare, 66.8 million | 16. Amsterdam Schiphol, 51.0 million |
| 5. Tokyo Haneda, 66.8 million | 17. New York JFK, 49.3 million |
| 6. Los Angeles, 63.7 million | 18. Guangzhou Baiyun, 48.3 million |
| 7. Paris Charles de Gaulle, 61.6 million | 19. Madrid-Barajas, 45.2 million |
| 8. Dallas/Fort Worth, 58.6 million | 20. Istanbul Ataturk, 45.0 million |
| 9. Jakarta Soekarno-Hatta, 58.2 mil. (est) | 21. Shanghai Pudong, 44.9 million |
| 10. Dubai, 57.7 million | 22. San Francisco, 44.5 million |
| 11. Frankfurt, 57.5 million | 23. Las Vegas McCarran, 41.7 million |
| 12. Hong Kong, 56.5 million | 24. Houston George Bush, 39.9 millio |
19. **Are fume incidents becoming more frequent on commercial flights?** In four separate incidents in February, British Airways flights were forced to make emergency landings after passengers and crew began to feel ill. The first was Feb. 3 on a 777 from Heathrow to Philadelphia, which the pilot diverted to Goose Bay. The second was Feb. 14 aboard a 747 from Los Angeles to Heathrow, which made a landing at Las Vegas; the pilots and several flight attendants crew were taken to the hospital; several passengers were treated by paramedics.
- On Feb. 17, an A320 bound for Marseille had to return immediately to Heathrow after takeoff. Finally, another A320, flying Feb. 21 from Lisbon to Heathrow, returned to Lisbon when fumes were detected at 30,000 feet.
- The problem? Fresh air is drawn regularly, in flight, from the center of the

engines, according to a 2008 story in Britain's *Daily Telegraph*. It can be contaminated by even small leaks of kerosene or hydraulic fluid; cabin filters designed to remove bacteria from circulating air have no impact on these vapors.

"No common trends have been identified and in the vast majority of cases, no defects have been found," a BA spokesman said. "We will continue to look at all the data available to us."

The union representing BA cabin crews has urged members to report all such "fume events," according to Britain's *Sunday Express*.

NORDICS STRESS COOL, ISRAELIS INVITE CHRISTIANS

20. **The German National Tourist Office reported a 4.2-percent increase in U.S. overnights in 2012** for a total of 4.85 million. Overall international overnights totaled 68.8 billion. The German office does not report the number of individual arrivals; "overnights" include stays in establishments with more than 10 beds.

There is plenty of room for more Americans in Germany's inns: The occupancy rate was 56.7 per cent for the year, up one point.

21. **Switzerland Tourism also reported an increase in U.S. visits in 2012**, despite the strength of the franc vs. the dollar. Arrivals from the U.S. were up 2.7 percent to 669,000 and overnights were up 2.2 percent to 1.49 million. The U.S. ranked second in arrivals to Germany; third in overnights to Germany and Britain. Counted are nights in hotels only; hostels, vacation rentals and B&Bs are not included.

22. **The 'Cool' Nordics launched transit advertising in Washington.** Denmark, Sweden, Norway and Finland are running ads on Washington, DC, Metro trains and busses in conjunction with the Nordic Cool Festival at the Kennedy Center. The festival, which runs through March 17, presents dance, theater, music and film from the four countries. Check out the ads, the festival program and the contest for free trips at OnlyinScandinavia.com.

23. **The Israel Ministry of Tourism launched a new Holy Land campaign** aimed at increasing Christian visitors who last year accounted for half of the 690,000 tourist visits from the U.S. and Canada.

The Sea of Galilee and the walls of Jerusalem are pictured on large billboards overlooking major highways in Atlanta, Chicago, Dallas, Los Angeles, Miami, New York and Tampa. "Bring your family to the birthplace of Christianity" is the invitation. The ministry is backing the outdoor advertising with spots on leading Christian radio stations.

24. **The European Travel Commission is planning to hold a Transatlantic Conference**

in New York May 9-10. Possible topics for panels include: Challenges in Promoting Europe as a destination and Positioning of “Brand Europe.”

The conference is being organized by a new team at ETC’s Brussels office, headed by Eduardo Santander, the executive director, working with member offices in the U.S. and Canada.

EUROPE ACCOUNTS FOR MORE SHIPS... AND PASSENGERS

25. **Cruise capacity in European waters is almost equal to that in the Caribbean,** according to the 2013 Industry Update issued last month by the Cruise Lines International Association. Specifically, Europe will account for 32.6 percent of the total combined capacity of the four largest operators, the Caribbean/Bahamas for 34.4 percent.

Two-thirds of the Europe capacity is in the Mediterranean; if trans-Atlantic crossings were included, Europe would be slightly ahead of the Caribbean.

Australia, New Zealand and the Pacific are a distant third at 5.0 percent. The four largest operators—Carnival, Royal Caribbean, Norwegian and MSC—account for 85 percent of worldwide capacity.

Where do the passengers come from? CLIA’s breakdown for 2011: U.S., 56.1%; Canada, 4.0%; Europe, 32.8% (Britain, 9.1%; Germany, 7.4%; Italy, 5.0%; Spain, 3.8%; France, 2.4%; others, 5.1%).

Total U.S. and Canadian passengers on CLIA North America member fleets (which include most of the capacity in Europe) have grown only slowly since 2000, while the addition of mega ships has exploded capacity. In recent years, Europeans have accounted for most of the growth in passengers on CLIA-member ships.

Which means the North American share of passengers has declined steadily. In 2000, North Americans accounted for 91 percent of 7.2 million passengers. In 2013, North Americans are projected by CLIA to account for 67 percent of 17.6 million, with Europeans accounting for most of the difference. However, growth of European passengers has slowed in the wake of euro-zone crisis and the *Costa Concordia* foundering.

In 2012, CLIA ships sailed at 102 percent of capacity. See the Update at: www.cruising.org/sites/default/files/pressroom/CruiseIndustryUpdate2013FINAL.pdf

26. **Royal Caribbean reported net income of only \$18.3 million (-97 percent) for 2012,** blamed on a largely non-cash \$413.9 million impairment charge related to the money-losing Pullmantur Cruises subsidiary, dragged down by Spain’s recession. Revenue for the year was \$7.69 billion (+2.0 percent). Royal Caribbean said sales and yields were looking better for 2013, more so in the North American market, less so in Europe.

27. **Yet more river boats.** Avalon Waterways is the latest river-cruise outfit to announce more ships for Europe: The *Avalon Impression*, *Avalon Illumination* and *Avalon Poetry II* are scheduled to begin sailing the Rhine and Danube in 2014; they will follow the *Avalon Expression* and *Artistry II*, which are being introduced this year. Avalon is a Globus operation. AmaWaterways, Tauck and Viking previously announced plans to expand fleets for European river cruising.

28. **Priceline reported a stunning profit of \$1.42 billion** (+34 percent) for 2012 on revenues of \$5.26 billion (+20.8 percent), all driven by a big 31.4-percent gain in gross bookings to \$28.5 billion.

That put Expedia's 2012 results in the shade. Expedia reported net income of \$280 million (-40.7 percent) on revenue of \$4.03 billion and gross bookings of \$30.37 billion (+14.3 percent). Hotel nights were up 27 percent, airline tickets up 7 percent; international revenue was up 21 percent.

29. **Bookings to Europe are up for 2013**, tour operators told David Cogswell of *TravelPulse*.

Marc Kazlauskas of Insight: "Europe is a star this year compared to last—up over 25 percent and growing. Lots of pent-up demand... At this rate, 2013 will be our best year in Europe since 2010."

John Stachnik of Mayflower Tours: "... traditional European destinations are returning nicely."

Brian Stack of CIE: "(Bookings for the UK and Ireland) are stronger than any previous year in memory."

Jennifer Halboth of Globus: "We are seeing a return to Europe, highlighted by numbers to Britain that we haven't seen in over a decade, and including the emergence of some off-the-beaten-path Eastern and Northern European destinations. Plus, there's continued double-digit growth in European river cruising on Avalon."

Phil Otterson of Abercrombie & Kent: "Europe is really doing well for us. We have a significant increase in European bookings with shorter-than-average lead times."

30. **Longer vacations and shorter work weeks could significantly slow down global warming**, according to the liberal Center for Economic Policy and Research. If more countries follow Europe's example—and if Europe maintains those policies—the fewer hours worked, the reduced output and the reduced commuting could cut greenhouse emissions and limit the rise in global temperatures by half. That's the analysis of economist David Rosnick.

But if the U.S. model spreads of 40-hour work weeks and extremely limited vacations, global emissions and temperatures could rise more quickly. See the report at www.cepr.net/documents/publications/climate-change-workshare-2013-02.pdf

31. **Titanic to sail again?** So promises Australian mining czar Clive Palmer, who announced his plan to build a virtual replica *Titanic II* in a Chinese shipyard already at work on mega ore carriers.

A maiden voyage to Southampton would take place in 2016, followed by the first passenger transit to New York. Cabins will be outfitted and classed as on the original for up to 2,436 passengers. Promised upgrades from 1912 include air-conditioning, a casino, a helicopter pad and more lifeboats.

32. **The Visit Europe Media Exchange is scheduled for November.** VEMEX will open in **Toronto** on Friday, Nov. 15, at the Toronto Board of Trade, then go to **New York** on Monday, Nov. 18, at the Harvard Club, and to **San Francisco** on Wednesday, Nov. 20, at the Sheraton Fisherman's Wharf.

The 2013 website—**VisitEuropeMediaExchange.com**—will go up this month.

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Correction: A Feb. 1 suicide bomb attack that also killed a Turkish guard targeted the U.S. embassy in Ankara, not the consulate in Istanbul as related in the last issue.

VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS JANUARY 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		
March	808,794	982,275	992,917	1,025,478	1,041,834	982,679	847,090	852,371	773,308	823,312		
April	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	806,302	832,117		
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		
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		
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.