

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • March 16, 2012

EUROPEAN TRAVEL TO U.S. JUMPED IN 2011

1. Trans-Atlantic traffic increased in February by an average 2.5 percent on the leading carriers on a daily basis (February had an extra day). That may decline when results for other carriers are added later this month. For instance, in January, trans-Atlantic traffic for ALL carriers rose only 0.6 percent, compared to 2.3 percent for the leading carriers.

The leading carriers also reported an average daily capacity DECREASE of 1.2 percent for February and an impressive average load factor of 71.0 (up from 68.1 a year ago). See the **Trans-Atlantic Traffic Trends** chart.

2. Travel by Americans to Europe rose 2.1 percent in January to 580,304, according to the latest figures from the U.S. Dept. of Commerce. That was less than the average 3.3-percent growth in U.S. travel to Europe over the previous six months. See the **Volume of U.S. Travel** chart.

3. Travel by Europeans to the U.S. jumped by 5.6 percent for all of 2011, according to final figures issued this month by the Dept. of Commerce. That total from Europe was second only to the 12.78 million record of 2008 and was a remarkable 16.9 percent more than the 10.83 million visits Americans made to Europe in 2011 (as reported here last month). The relative strength of the euro, pound and other European currencies is part of the explanation.

The difference in traffic should translate into a hefty U.S. travel-trade surplus vs. Europe for 2011; that data is expected this spring.

See the **Foreign Visitors to the U.S.** graph for breakdowns by region and country.

GREECE SWAPS BONDS, DOW CLIMBS WITH U.S. JOBS

4. The Dow just keeps on rising, reaching a new post-2007 high at 13,253 Thursday. That was less than a week after **the U.S. Dept. of Labor reported another 227,000 jobs added to the economy in February**, and revised December and January job growth upward another 14.4 percent to a total of 507,000 jobs. February also saw a sharp deceleration in the loss of public jobs; down only 6,000.

5. Greece successfully managed its 'controlled default,' last week, swapping €177.2 billion worth of bonds for new paper worth €105 billion less to lenders and positioning itself for the long-negotiated €130 billion in EU and IMF support funds. Even with that, Greece is given only the

longest of chances that it can navigate deeper austerity and recession, and divisive elections to meet its future obligations. **Meanwhile, Spain said it would not be able to meet its latest deficit target;** but did find low-yield buyers at its latest bond auction.

6. More economic positives and negatives: **U.S. gasoline prices continued to rise, to an average \$3.83 a gallon this week.** But a pause may be in the works; oil prices dropped briefly as the U.S. and Britain discussed **a possible release of oil reserves.**

Consumer confidence slipped a bit, falling from a revised 75.3 in early February to 74.3 in early March, according to the Thomson Reuters/Univ. of Michigan index. But it had jumped previously from a revised 61.5 in late January to 70.8 in late February, according to the Conference Board index.

The dollar has jumped more than two eurocents over the past 2½ weeks to €0.77. See the **Dollar vs. the Euro** graph.

IAG, AIR FRANCE/KLM, LUFTHANSA: ONLY ONE MADE MONEY IN 2011

7. **The Continental brand name and CO code are just about gone** from the world's largest airline. The March 3 merger of the United and Continental reservation systems and websites (Continental's site was the selected platform) was completed under the United name—with hiccups, long lines and backed-up calls, but no shutdowns. All flights now carry the UA code. The single-carrier operating certificate was granted last fall by the Federal Aviation Administration.

Continental was arguably the most successful major U.S. carrier over the past 12 years in part because of its consistent development of trans-Atlantic flights and revenues. Not surprisingly, Continental execs hold many of the top jobs at the new United, including CEO Jeff Smisek.

8. **The leading European trans-Atlantic carriers reported mixed results for 2011.**

IAG (British Airways/ Iberia) reported a big jump in annual profit to €503 million compared to €84 million in 2010. That was on a 10.4-percent increase in revenue to €16.34 billion.

But Air France/KLM lost a stunning €809 million on the year on revenues that rose 4.5 percent to €24.36 billion. Last fall, Air France (now on a Jan.-Dec. fiscal year) returned Chairman Jean-Cyril Spinetta to the CEO's seat to pilot a three-year "transformation program" with a focus on rewriting labor pacts.

Lufthansa reported a €13 million loss (down from a €1.13 billion profit in 2010) on total revenue of €28.73 billion, up 8.3 percent. Most of the loss was blamed on negative valuations for BMI, which Lufthansa is glad to be selling to IAG; operating profit was actually a healthy €820 million. The latest on the BMI sale: The European Commission may ask IAG to give up more BMI slots at Heathrow. A potential BA monopoly of London-Scotland service is also a concern.

All three groups worried about further escalation of fuel prices, strikes past and future, and economic weakness and low-cost carrier competition in Europe. Earlier, Delta and United reported profits for 2011, while American, in bankruptcy, reported a big loss.

CRUISING IN EUROPE: GOING GREAT UNTIL THE *CONCORDIA* ACCIDENT

9. **European cruise traffic has been catching up to that of the Caribbean**, according to estimates for 2011 from the Cruise Lines International Association. The Caribbean still led with 33.7 percent of all bed-days aboard CLIA-member fleets. But the Mediterranean (20.4 percent), the Baltic and Scandinavia (7.9 percent) and trans-Atlantic crossings (2.9 percent) combined for a total of 31.2 percent. (On the other hand, Bahamas and trans-Panama cruises would add another 8.6 percent to the Caribbean total).

CLIA said its members carried 16.37 million passengers, up 10 percent, and sailed at 103.2 percent of capacity. CLIA says 24 percent of Americans have cruised at least once.

As capacity has soared (12 new ships and 14,890 new berths in 2011), the percent of passengers from North America has declined, from 91 percent in 2000, to 84 percent in 2006, to an estimated 69 percent last year. Another 13 new ships and 18,000 berths are to be introduced this year. www.cruising.org/sites/default/files/pressroom/2012CLIAIndustryUpdate.pdf

10. Off to a bad start. **Carnival Corp. reported a \$139 million loss for its 1st Q** against a \$152 million profit for the same period last year. Costs related to the *Costa Concordia* foundering and *Costa Allegra* fire were a factor (–\$63 million combined) but devaluation of Ibero Cruises were far more significant (–\$173 million). That was blamed on the slumping economy of Spain, which generates most Ibero passengers. Despite the rapid growth in selling cruises to Europeans noted in the previous item, overall Europe bookings remain down for 2012, particularly for Costa sailings.

Meanwhile, salvage companies have submitted six bids on the *Costa Concordia* wreck, with at least two proposing to float the hull.

11. **Final voyage.** The *Pacific Princess* was one of two Princess Cruise ships that starred as ‘The Love Boat’ in the 1970s comedy on ABC-TV. Laid up in Genoa for the past two years (for non-payment of a repair bill), it has been sold to a Turkish salvage company for €2.5 million. She’ll soon be towed to her final destination, the Aegean port of Aliağa, to be broken up.

Pacific Princess was the lead ship of the TV show—credited with launching a cruising craze—but switched on occasion with her sister ship, *Island Princess*. The latter now sails the Mediterranean as the *MV Discovery* for Voyages of Discovery.

IRELAND DRIVES FOR A MAGIC MILLION

12. **Irish Prime Minister Enda Kenny is leading a high-profile St. Patrick’s week delegation to the U.S. to promote tourism** and trade. Tourism Ireland has already launched its “Jump into Ireland” campaign with TV spots, print and transit advertising, and major Internet action. Target: 1 million U.S. visits to Ireland and Northern Ireland in 2012, which would be a 5.5 percent increase over a very successful 2011 and best the record results of 2007.

Unlike most European countries—and alone among those hit hardest by Europe’s sovereign-

debt crisis—Ireland has maintained a substantial level of funding for tourism promotion in the U.S. over the past three years. Why? Growth in tourism revenue is more critical than ever before.

13. **Brand USA has won \$1-million commitments** each from the Walt Disney Company, Marriott International and Best Western International, as well as in-kind contributions as it prepares its first international promotion, to be unveiled at the International Pow Wow's opening luncheon in Los Angeles on April 21.

That's a six-week delay; the \$180 million marketing campaign targeting international markets was originally to be presented at ITB Berlin in early March.

Brand USA, supported in large part by a \$4 U.S. government fee on visa-waiver travelers to the U.S., also announced that it will partner with the U.S. Travel Association in producing the Pow Wow, the premiere annual marketplace for the inbound-U.S. industry.

14. The next edition of the **Visit Europe Media Exchange** goes to **New York**, Tuesday, Oct. 23 and **Chicago**, Thursday, Oct. 25.

The Media Exchange will again be an essential opening event for trans-Atlantic travel interests, leading into what could be—should be—a year of strong growth in 2013.

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. The 2012 website—VisitEuropeMediaExchange.com—will go up within a few weeks. The Media Exchange is produced by Donald N. Martin & Company, with Lois Gerber Travel Public Relations.

For information, contact Hans Friis-Jacobsen at VEMEX@dnmartinco.com.

Neil S. Martin
TransAtlantic@dnmartinco.com
646/ 250-8704

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE

Trans-Atlantic Traffic Trends, February '12

Compared to previous year, +/- percent

RPMs	Mar. '11	Apr. '11	May '11	June '11	July '11	Aug. '11	Sept. '11	Oct. '11	Nov. '11	Dec. '11	Jan. '12	Feb. '12 *	ASMs * (Feb. '12)	Load Factor
Delta (Sky)	+ 4.0	+ 19.6	+ 0.8	- 1.1	- 1.1	- 2.4	- 7.6	- 10.3	- 11.0	- 7.3	- 4.2	+ 3.1	- 6.5	67.4
Air France/ KLM (Sky)	+ 2.8	+ 26.7	+ 7.8	+ 6.4	+ 9.6	+ 10.7	+ 12.2	+ 8.6	+ 6.2	+ 9.0	+ 8.3	+ 13.1	+ 4.8	84.5
United/ Continental (Star)	- 1.3	+ 18.3	+ 1.4	- 2.0	- 2.4	- 5.8	- 2.1	- 7.9	- 4.1	- 1.1	- 1.9	+ 0.8	+ 5.2	63.6
Lufthansa/ Swiss/ Aus. (Star)	+ 4.5	+ 24.6	+ 5.7	+ 4.0	+ 7.5	+ 6.1	+ 3.9	+ 2.3	+ 4.2	+ 2.9	- 0.3	+ 0.8	- 1.4	75.1
American (One)	- 8.1	+ 19.1	+ 2.3	+ 1.5	+ 2.1	+ 2.5	+ 0.5	- 0.6	- 2.8	+ 4.8	+ 3.1	+ 8.0	+ 1.9	65.6
British Airways/ Iberia (One)	+ 9.7	+ 32.7	+ 23.4	+ 16.3	+ 7.6	+ 6.5	+ 7.3	+ 8.7	+ 14.0	+ 23.3	+ 8.5	+ 11.1	+ 7.3	69.6
Leading-carriers average	+ 1.9	+ 23.5	+ 6.9	+ 4.2	+ 3.9	+ 2.9	+ 2.4	+ 0.1	+ 1.1	+ 5.3	+ 2.3	+ 6.2/ +2.5	+ 1.9/ -1.2	71.0
All carriers (Airlines for America + Assoc. of European Airlines)	+ 2.0	+ 23.0	+ 6.4	+ 3.6	+ 3.5	+ 2.8	+ 2.5	+ 0.0	+ 0.0	+ 2.8	+ 0.6			

* February '12 had 29 days/ average DAILY increase in RPMs was 2.5%; average DAILY DECREASE in ASMs was 1.2%.

Note: Figures include traffic (Revenue-Passenger Miles) generated on both sides of the ocean. European-carrier figures include traffic between Europe, and Canada, Mexico, the Caribbean and South America; except British

Airways/ Iberia, which 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.

VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS JANUARY 2012

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).

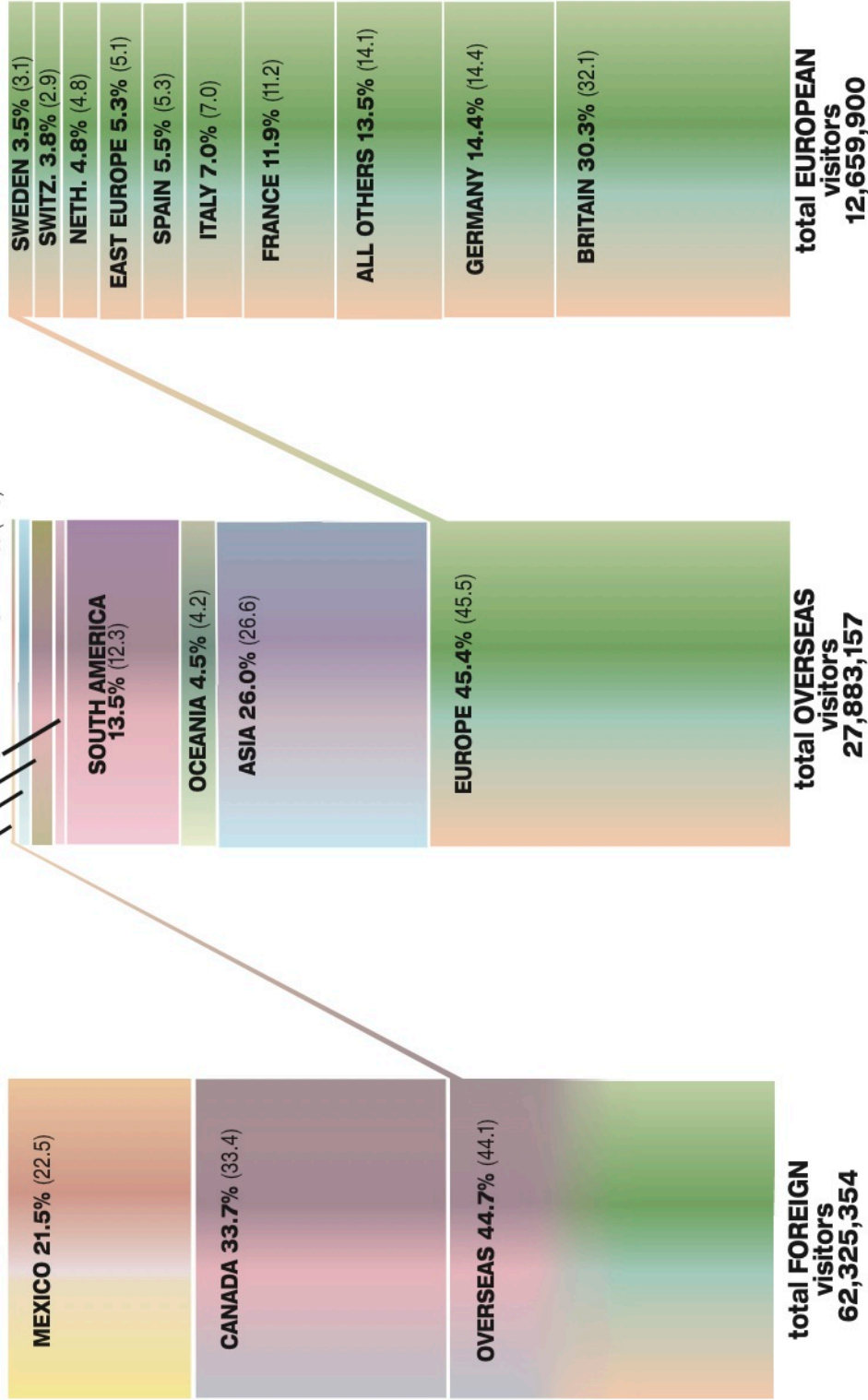
Since July 2010, data has been collected from airlines before departure by the Dept. of Homeland Security via the new Advance Passenger Information System (APIS). This more accurate system has revealed that U.S.-citizen departures were previously overcounted, by as much as 20 percent per month. Thus the significant minus figures reported for July 2010 onward (in black, below) do not reflect actual decreases of that magnitude. Indeed, independent data indicates that traffic increased through much of that period.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% change from 2011
January	590,697	671,177	713,703	748,042	734,184	739,893	753,241	668,221	664,807	568,471	580,304	+ 2.1
February	598,234	591,131	655,434	649,274	638,319	626,434	668,385	568,968	544,768	414,958		
March	910,848	808,794	982,275	992,917	1,025,478	1,041,834	982,679	847,090	852,371	773,308		
April	769,269	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	806,302		
May	1,080,818	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		
June	1,305,355	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		
July	1,012,332	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		
August	867,279	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		
September	980,829	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		
October	805,403	872,409	897,683	941,909	980,856	1,038,804	916,328	920,191	831,219	844,142		
November	745,117	785,206	821,219	811,118	816,098	856,815	765,079	748,994	640,639	644,948		
December	830,737	888,149	900,717	902,504	913,995	954,698	888,886	845,496	688,213	729,039		
	10,496,918	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		
Final *	10,677,881	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		

* 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.

FOREIGN VISITORS TO THE U.S. 2011

Arrivals by region and country of residency.
Including air, sea and limited land arrivals.
Share for 2010 in parens.



THE DOLLAR vs. THE EURO 2012

One dollar equals:

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.

Of the 12 nations that acceded to the EU in 2004 and 2007, Estonia was the most recent to join the euro zone, on Jan. 1, 2011.

