

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • MAY 20, 2013

NO-GROWTH TREND CONTINUES FOR TRANS-ATLANTIC TRAFFIC

1. **The leading carriers reported a combined 0.3-percent decrease for overall trans-Atlantic traffic in April.** That was the seventh consecutive month of no growth and the 13th consecutive month since leading carriers reported combined traffic growth of more than 1 percent.

But combined capacity was up 1.6 percent, the first increase since December '11 and the resulting combined load factor was 82.7 (compared to 84.1 a year ago), the first monthly decrease since October '11. See the **Trans-Atlantic Traffic Trends** chart.

**NEXT ISSUE: U.S. Traffic to Europe in April
Off-Peak Results, Latest on Summer Fares**

2. **North American visitors to Britain dropped by 13 percent in March,** following a 5-percent decline in February, according to preliminary figures from VisitBritain. For the 1st Q, North American traffic is down 3 percent and U.S traffic is down 1 percent, while visits from all regions are up 2 percent with spending up 11 percent.

U.S. travel to Europe overall is also down 3 percent for the 1st Q, according to the U.S. Dept. of Commerce. U.S. traffic to Britain was flat in 2012 at 2.84-million visits, as reported here last month.

U.S. ECONOMY AND CONFIDENCE ON RISE; NOT SO EUROPE'S

3. **The 17-nation euro zone reported a sixth consecutive quarter of recession** with GDP at -0.2 percent in the 1st Q compared to +2.5 percent for the U.S.

The Mediterranean countries continue to be saddled with depression-like unemployment (with 1st Q growth at around -2.0 percent) and France is officially contracting (-0.7 percent). Only Germany and Britain, among the larger countries, are growing (barely, at +0.3 percent each). Overall, the euro zone has yet to return to the 2008 level of output.

Austerity programs aimed at reducing sovereign debts and enforced by Germany, are drawing much of the blame for the lack of growth and resulting joblessness.

4. Meanwhile, **the U.S. jobs report for April reversed the bad news of March.** For the month, 165,000 jobs were added, and the combined total for February and March was revised upward to 470,000 jobs, or +32 percent. Unemployment ticked down again to 7.5 percent. The report generated new assurance that the recovery remains on track.
5. **The Dow reached a new high of 15,354** on Friday, up 522 points in the two weeks following the jobs report. **The price of oil is back to \$96** per barrel (up \$10 since mid-April on the assumption that a growing economy will increase demand), while **gasoline is at \$3.65** a gallon (national average).
6. **Consumer confidence is also jumping.** The Thomson Reuters/Univ. of Michigan index soared to 83.7 in early May from a revised 76.4 in early April. Previously, the Conference Board index also rose strongly, to 68.1 in late April from a revised 61.9 in late March. The Reuters number is that index's highest since July 2007.
7. **The dollar is also on the rise vs. the euro**, closing in again on its previous high for the year of €0.78 (March 28). Conclusion: The U.S. economic news is favorable for increased travel to Europe.

BIG LOSSES AT LEADING CARRIERS, LOT'S DREAMLINER TO FLY JUNE 5

8. Taken together, **the six leading trans-Atlantic carriers lost nearly \$3 billion** in the always-difficult 1st Q. Of the six, only Delta reported a profit.

Delta reported \$7 million net income, compared to \$124 million a year ago (the latter aided by fortunate jet-fuel hedging). Revenue was \$8.5 billion (+1 percent); expenses included \$120 million in restructuring costs, a \$22 million loss on its new refinery operation and \$20 million in profit-sharing with workers.

United lost \$417 million on revenue of \$8.7 billion (+1.4 percent). That compared to a loss of \$448 million a year ago. Only \$11 million of the loss was blamed on the grounding of its six Dreamliners.

Previously, **reorganizing American said it lost \$341 million**, much better than its \$1.7 billion loss a year earlier. American's expected merger partner, US Airways reported a profit of \$44 million on revenue of \$3.4 billion (+3.5 percent).
9. **The European carriers reported considerably worse numbers**, blaming the continent-wide recession in large part. **Lufthansa was down €459 million** on revenue of €6.6 billion (-0.1 percent). That was worse than last year's €394 million

loss. A system-wide strike in March and higher fuel costs were also blamed.

IAG reported a €630 million loss on revenue of €3.9 billion (+0.5 percent).

Included was a €311 million charge for restructuring of Iberia; a year ago IAG lost €129 million. **Air France/KLM lost an equal €630 million**, on revenue of €5.7 billion (+1.3 percent); that compared to a €379 million loss a year ago.

10. Meanwhile, **Virgin Atlantic reported a £69.9 million loss** (on revenue of £2.9 billion (+5 percent) for the 2012/13 fiscal year ending in February. That would have been worse, save for a decision by British regulators not to apply a £35.4 million fine in an old rate-fixing case. Virgin lost £80.2 million in 2011/12 and, just two months ago, was projected to lose as much as £135 million for the most recent year. Virgin is placing hopes for a turnaround on its joint venture with Delta, still to be approved by regulators.
11. **IAG took control of Vueling**, the Barcelona-based low-cost carrier. IAG, owner of Iberia and British Airways, paid €123.5 million to expand its previous 45-percent stake to 90 percent. Vueling will continue to be led by CEO Alex Cruz who will report to IAG CEO Willie Walsh.
12. **LOT Polish Airlines will relaunch its Dreamliner flight between Chicago and Warsaw on June 5.** LOT was the first to fly the Boeing 787 across the Atlantic commercially, on Jan. 16, from Warsaw to Chicago. But the return flight was grounded along with 787 flights worldwide soon after the plane landed at O'Hare.

United this morning restarted domestic 787 service with a Houston-Chicago flight. United, the only U.S. carrier with the plane, will begin flying a 787 between Houston and London on June 10.

Boeing is installing its redesigned lithium batteries, approved by the Federal Aviation Administration and its counterparts in Europe and Japan, into the grounded planes and in new aircraft; deliveries resumed last week. Norwegian Air Shuttle and British Airways are expecting 787 deliveries in coming months.
13. **The U.S. Transportation Security Administration backed off on its plan to permit passengers to carry short-blade knives aboard aircraft.** TSA Administrator John Pistole said the agency wanted more time to consult with airlines, pilots and flight attendants who vociferously oppose allowing knives on board. Congress may step in to make the ban permanent.

The TSA wants to shrink the long list of banned items in order to further concentrate resources on detecting bombs, considered to be the overriding threat to aircraft.

ETC TURNS TO NORTH AMERICA, GREECE ANTICIPATES A BIG SUMMER

14. **The 33-nation European Travel Commission held its first Transatlantic Conference since 2010** in New York May 9, emphasizing the importance of the U.S. and Canadian markets (Nos. 1 and 2 for overseas tourism to Europe).

ETC has a new president in Europe, Manuel Butler of Spain, and a new team in Brussels. It also has new support from the European Union, which is more interested than ever in tourism's ability to generate jobs quickly. On the down side, ETC has been hobbled by the withdrawal of VisitBritain, Atout France and the Netherlands Board of Tourism over the last 2½ years.

15. A statistical note: **ETC uses UN World Tourist Organization figures to measure overseas traffic.** By the UNWTO measure, there were 20.6 million tourist arrivals from the U.S. in 2012. That contrasts with the count of the U.S. Dept. of Commerce: 11.24 million U.S.-citizen departures.

The difference? The UNWTO adds up all arrivals reported by each European country. Thus a U.S. visitor to Brussels, Paris and London is counted three times.

By this standard, Europe each year claims a huge share of worldwide international travelers, more than 50 percent. But the great majority of those arrivals are from neighboring countries in the relatively confined dimensions of Europe. Americans traveling 2,000 miles to San Francisco are not counted as international visits to the U.S., of course. But Swiss citizens crossing the border for a 35-mile overnight trip to France or Italy are counted.

Is there an easy way around the UNWTO method, which is the most useful for individual countries, exaggerates regional numbers in Europe's favor? Probably not, without mixing apples, oranges and watermelons.

16. **Greek tourism leaders expect a strong comeback this summer.** Rising spring bookings have led SETE, the industry association, to forecast a surge to a record 17 million visitors generating €11 billion in revenue, which would be a timely increase of 10 percent.

Hotels and restaurants have reduced prices to prime the pump, and the Greek government has worked to reassure other Europeans, particularly the Germans, that they will be welcome. While many Greeks blamed German leaders for wrenching austerity programs imposed on Athens, the welcome was warm for those German visitors who ventured to Greece last year and returned home with happy reviews.

Much of the growth is coming from Russia, which sent 900,000 visitors in 2011 according to SETE, and is projected to send 30 percent more this year. No estimate was offered on U.S. traffic.

17. **Rail Europe says that point-to-point tickets accounted for 70 percent of all sales in 2012** and expects that trend to continue. Rail passes accounted for only 30 percent, down from 34 percent in 2011.

The leader in selling European rail travel in North America said total passengers rose in 2012 to 1.9 million; 80 percent were from the U.S.; the rest from Canada and Mexico.

The leading destinations, in order, were: France, Italy, Britain, Spain, Germany and Switzerland. Sales for France were up 10 percent; for Switzerland, up 16 percent. Sales for Britain were off, attributed to the drop in U.S. visits blamed on the Olympics.

18. Six years in the building, between Calafat, Romania, and Vidin, Bulgaria, **the Danube Bridge 2 is now set to open June 15**, according to the Romanian government. At 1.2 miles, the four-piered, cable-stay, road-and-rail bridge is the longest across the Danube and only the second across the 310-mile river border between Romania and Bulgaria. The toll will be E2 for cars; free for pedestrians and bikers.

The first bridge between the two countries was opened 49 years ago between Giurgiu and Ruse, south of Bucharest. Danube Bridge 2, is closer to Sofia, the Bulgarian capital. DanubeBridge2.com.

19. **Virgin Galactic has sold more than 500 tickets for its first commercial space flight**, scheduled for the 1st Q of next year. Founder Sir Richard Branson promises to be on it. Virgin's six-passenger SpaceShipTwo successfully fired its rocket engines in a test flight April 29, reaching Mach 1.2 before gliding back to the Mojave Air and Space Port. More test flights are planned to reach greater altitudes. Deposits are being accepted for the \$200,000 tickets.

20. **Registration for the Visit Europe Media Exchange is open.** VEMEX will start 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.

Go to the 2013 website at **VisitEuropeMediaExchange.com** for information and registration.

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Trans-Atlantic Traffic Trends, April '13

Compared to previous year, +/- percent

RPMs	May '12	June '12	July '12	Aug. '12	Sept. '12	Oct. '12 **	Nov. '12 **	Dec. '12	Jan. '13	Feb. '13 ***	March '13	April '13	ASMs (April '13)	load factor
Delta (Sky)	- 4.4	- 5.5	- 6.7	- 5.1	- 0.3	- 3.0	- 3.1	- 4.3	- 6.4	- 8.8	- 5.7	- 3.2	- 2.2	80.7
Air France/ KLM (Sky)	- 1.8	+ 5.6	+ 2.0	+ 0.0	+ 1.1	- 3.3	+ 1.0	- 0.1	- 0.7	- 1.8	+ 0.5	+ 3.2	+ 4.3	87.0
United (Star)	- 1.7	- 1.4	- 5.8	- 2.4	- 5.3	- 9.6	- 7.2	- 4.6	- 4.7	- 9.1	- 6.8	- 4.1	- 0.9	78.9
Lufthansa/ Swires/ Aus. (Star)	+ 2.0	+ 3.8	+ 2.1	+ 4.2	+ 0.4	- 1.0	+ 3.4	- 0.8	+ 2.2	+ 4.6	+ 9.8	+ 4.3	+ 6.1	84.5
American (One)	- 9.6	- 5.5	- 3.3	- 0.6	- 0.7	- 8.5	- 7.8	- 4.9	- 6.8	- 11.0	+ 5.0	- 4.8	- 0.8	79.8
British Airways/ Iberia (One)	+ 6.9	+ 6.0	+ 4.1	+ 6.2	+ 6.9	+ 2.4	+ 3.1	- 1.9	+ 1.2	- 1.4	- 1.0	- 0.4	+ 1.6	82.9
Leading-carriers combined *	- 1.4	+ 0.5	- 1.3	+ 0.4	+ 0.4	- 3.8	- 1.8	- 2.8	- 2.5	- 3.7/- 0.2	0.0	- 0.3	+ 1.6	82.7

All carriers (Airlines for America + Association of European Airlines)

U.S.-citizen departures to Europe, Dept. of Commerce

* Beginning with February '13, "Leading-carriers combined" gives percent +/- in combined total RPMs. Previously given is an average of the percent +/- reported by each of the six carriers. ** Hurricane Sandy reduced flights and traffic to and from U.S. Northeast Oct. 29-Nov. 3. *** February '13 had one day less than February '12, thus average DAILY combined RPMs were down only 0.2 percent.

Note: 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.