

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • OCT. 17, 2013

TRANS-ATLANTIC TRAFFIC ROSE THROUGHOUT PEAK SEASON

1. **Overall trans-Atlantic traffic increased 3.8 percent in September**, as reported by the leading carriers. Thus traffic rose throughout the May-September peak season, after slipping in the off-peak months.

Combined capacity increased for the sixth consecutive month, by 2.7 percent. The combined load factor for September was 88.5, down from August's 90.0 and up from 87.4 in September 2012.

Perhaps a quarter of the September increase in traffic and capacity is explained by the fact that Lufthansa's numbers were pushed down a year ago by a major cabin-crew strike.

American was again the only leading carrier to report a decrease in capacity and (slightly) in traffic. See the **Trans-Atlantic Traffic Trends** chart.

NEXT ISSUE: Looking Ahead to Winter Fares

2. **Dept. of Commerce data on U.S. travel abroad has been delayed by the federal government shutdown.** Most Commerce operations (and websites) were suspended, including those of the Office of Travel & Tourism Industries. The most recent report, carried here last month, showed U.S. visits to Europe up 2.5 percent for July and even for the year, at 6.74 million, compared to the first seven months of 2012.

U.S. GOVERNMENT REOPENS, DEFAULT AVOIDED

3. **The federal-government shutdown ended**, as Republican Speaker John Boehner allowed a bi-partisan Senate bill to be voted on in the House. The final tally was 198 Democrats and 87 Republicans for; 0 Democrats and 144 Republicans against. The vote pushed off showdowns on the FY2014 budget and the debt-ceiling to Jan. 15 and Feb. 7 respectively. It was seen as a big loss for Republicans who had sought to defund or delay the Obamacare health-insurance law, but buckled Wednesday as the midnight default deadline approached.

Will resolution of the crisis lead to a surge in U.S. economic activity? If so, it didn't begin today; both the Dow and the dollar were down this morning.

4. **The shutdown cost the U.S. travel industry \$152 million a day**, said Roger Dow, president of the U.S. Travel Association, and directly or indirectly affected 450,000 workers. He specifically cited the shut down of the National Park System as damaging for surrounding communities, and said international traffic was seriously jeopardized by warnings in the overseas press about delays when traveling to the U.S.

STOCK MARKETS TEMPER OPTIMISM; OIL, DOLLAR & CONFIDENCE DOWN

5. On Oct. 8, the Dow dropped to 14,777, a 3½-month low, then stepped up to 15,374 by Wednesday as the deal took shape. **But the Dow slipped again early today.**

The price of **oil dropped a little lower to \$102** per barrel over the past 2½ weeks. **Gasoline followed suit**, down to \$3.34 a gallon (national average), the 8½-month low.

Because of the shutdown, **the U.S. jobs report for September was delayed** by the Dept. of Labor.

6. **Consumer confidence continued to slide during the shutdown.** The Thomson Reuters/Univ. of Michigan index dropped to 75.2 in early October—a nine-month low—from a revised 77.5 in early September.

Previously, the Conference Board index also fell, to 79.7 in late September from a revised 81.8 in late August.

7. Holding steady at €0.74 for three weeks, **the dollar dropped today to €0.73**, an eight-month low. See **The Dollar vs. the Euro** graph.

IRELAND AND SPAIN IN MUCH BETTER SHAPE

8. Progress in Europe: **Ireland is projected to return to normal market financing in December**, the first of the euro-zone's "bailout" countries to do so after four years of debt crisis. **Spain is expected to follow shortly**, while it will take considerably longer for Greece, Portugal and Cyprus. That was the word from euro-zone finance ministers meeting Monday in Brussels.

The previous week, **Italian Prime Minister Enrico Letta won a crucial confidence vote** after Silvio Berlusconi failed to rally his party against it; Berlusconi's long political career may be nearing the end.

In Germany, **Angela Merkel**, whose Christian Democrats just missed winning outright control of the Bundestag three weeks ago, and actually lost traction when their Free-Democrat partners were knocked out of Parliament altogether, **is struggling to nail together a majority with the opposition Social-Democrats.**

9. **Euro-zone unemployment is at its highest total since 1999**, when the euro was inaugurated. Today, 13.9 million adults (over 25) who want to work are out of work, according to Eurostat. But only 1.9 million of the jobless are in Germany, the lowest number for that country since reunification in 1991.

Part of the explanation for Germany's relative success: Businesses were encouraged early in the recession to retain as many workers as possible, and to instead cut hours to reduce costs.

ALITALIA: MORE EUROS & MORE COMPETITION

10. **Alitalia's latest descent toward bankruptcy was slowed** by a Monday agreement to raise €300 million in fresh capital from current stockholders. Key to the Letta government's plan was a promise from Poste Italiane and two Italian banks to buy up to €175 million worth of the new stock options to cover any shortfall.

Dependent on the success of the recapitalization, an additional consortium of banks will lend €200 million to keep the airline aloft into the new year. At least one jet-fuel supplier had threatened to turn off the kerosene.

One reason for uncertainty is that Air France/KLM, which holds the largest share of Alitalia (25 percent), declined to commit to the additional investment (and additional exposure to Alitalia's billion-euro debt). Air France/KLM is going through its own expensive reorganization to get back into the black. Also, the Letta government wants to improve Italy's negotiating position in a possible takeover of Alitalia by Air France/KLM.

IAG (owner of British Airways and Iberia) said the involvement of Italy's postal authority amounted to illegal government aid that should be blocked by the European Commission.

11. Meanwhile, on Oct. 1, **Emirates Airline launched daily nonstop flights from JFK to Milan**. This is the rich Abu Dhabi carrier's first U.S.-Europe route. Emirates said its 777-300ER aircraft provides the only first-class service (eight private suites) on the route.

Alitalia flies the route with Delta, its trans-Atlantic joint-venture partner. American also flies JFK-Milan while United offers a nonstop from Newark to Milan.

A RECORD YEAR FOR BRITAIN? TURKEY RECOVERS U.S. TRAFFIC

12. **Overseas visits to Britain through August are running slightly ahead of the 2007 record year**, according to the latest data from VisitBritain.

Britain welcomed 32.8 million overseas visitors in 2007; they spent £16 billion. Last year, visits totaled 31.1 million and spending set a record at £19.6 billion.

Overall August visits this year are up 16 percent (the Olympics last August actually suppressed overall traffic). For the year as a whole through August, visits are

up 6 percent and spending is up 11 percent.

Even visits from the U.S. finally turned up in August. Thanks to a big increase for the month, the shortfall in U.S. visits for the year has dropped from 8 percent through July to just 4 percent through August, according to the preliminary estimate. Vital though it may be for VisitBritain's tourism targets, the U.S. market has resisted efforts to rekindle growth in traffic. This year, most of the growth is coming from Europe, Latin America and Asia.

VisitBritain Chairman Christopher Rodriguez said the worldwide Olympics exposure helped to feed new interest in visiting Britain in most markets, and that the office's "GREAT" promotions, before and after, were vital.

VisitBritain's long-term target: 40 million overseas visits by 2020.

13. **The Cameron government said it would streamline visa processing for Chinese visitors.** Britain received only 179,000 visitors from mainland China in 2012, compared to 1.4 million going to France, according to statistics from the respective countries. France benefits from the fact that a single Schengen visa is good for most of Europe except Britain and Ireland.
14. **U.S. traffic to Turkey has recovered quickly** from the 9.4-percent drop in June when large, anti-government demonstrations were mounted in Istanbul, Ankara and other cities. July visits by Americans were down only 2.7 percent and August visits were up by 10.3 percent compared to a year ago. For the year through August, **U.S. visits were up 2.0 percent** to 513,983; all international visits were up 10.7 percent to 24.1 million.

TOP MEDIA LINES UP FOR VEMEX

15. **The Visit Europe Media Exchange shows are 'sold-out' for media**, organizers say. The overwhelming response from journalists opens a limited number of high-profile sponsorship and registration opportunities for exhibitors.

VEMEX will open in **Toronto** Friday, Nov. 15, go to **New York** Monday, Nov. 18, and close in **San Francisco** Wednesday, Nov. 20.

Exhibitors are going to VisitEuropeMediaExchange.com to request one-on-one meetings with journalists from outlets such as *The New York Times*, *The Wall Street Journal*, *Travel + Leisure*, etc. Check the full list at:

http://www.visiteuropemediaexchange.com/east/exhibitors/look_who.asp

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Neil S. Martin

TransAtlanticReport.com

Donald N. Martin & Company

Email: TransAtlantic@dnmartinco.com

646/ 250-8704

Trans-Atlantic Traffic Trends, September '13

Compared to previous year, +/- percent

RPMs	Oct. '12 **	Nov. '12 **	Dec. '12	Jan. '13	Feb. '13 ***	March '13	April '13	May '13	June '13	July '13	Aug. '13	Sept. '13	ASMs (Sept. '13)	load factor
Delta (Sky)	-3.0	-3.1	-4.3	-6.4	-8.8	-5.7	-3.2	+2.0	+4.8	+5.2	+6.0	+2.2	+1.4	90.6
Air France/ KLM (Sky)	-3.3	+1.0	-0.1	-0.7	-1.8	+0.5	+3.2	+4.5	+2.4	+2.4	+5.3	+1.4	+1.6	90.9
United (Star)	-9.6	-7.2	-4.6	-4.7	-9.1	-6.8	-4.1	-1.3	+1.0	+2.5	+7.2	+5.9	+4.2	85.0
Lufthansa/ Swiss/ Aus. (Star)	-1.0	+3.4	-0.8	+2.2	+4.6	+9.8	+4.3	+8.4	+7.7	+4.2	+5.1	+9.0	+8.0	87.5
American (One)	-8.5	-7.8	-4.9	-6.8	-11.0	+5.0	-4.8	-0.1	-0.8	-3.1	-1.1	-0.2	-2.8	89.3
British Airways/ Iberia (One)	+2.4	+3.1	-1.9	+1.2	-1.4	-1.0	-0.4	+3.5	+4.8	+0.1	0.0	+2.8	+1.0	87.8
Leading-carriers combined *	-3.8	-1.8	-2.8	-2.5	-3.7/-0.2	0.0	-0.3	+3.2	+3.6	+2.7	+4.4	+3.8	+2.7	88.5

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.

THE DOLLAR VS. THE EURO 2013

One dollar equals:
Interbank rate/ Monday closings

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.

