

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • OCT. 18, 2012

NO SUMMER GROWTH FOR OVERALL TRAFFIC

1. **Overall trans-Atlantic traffic was flat in September**, a pattern which held for the entire peak season. The leading carriers reported an average increase of only 0.4 percent for the second consecutive month, while average capacity was down 0.9 percent.

The average load factor was 87.4. Through the peak months (May–September), the leading carriers' average load factor was up a mean 0.9 percent for each of the five months compared to 2011, with the high at 89.9 in July, up 2.2 points from July 2011. See No. 9 below and the **Trans-Atlantic Traffic Trends** chart.

2. Despite their tight control on capacity and resulting higher load factors, **U.S. carriers are reporting overall declines in yields** on trans-Atlantic routes for the first time since November 2009. See No. 9.

COMING OCT. 31: U.S. Traffic to Europe/ September

3. **The Summer Olympics apparently was a reason NOT to go to Britain for many Americans.** Travel to Britain from the U.S. and Canada slumped by 10 percent in August (following a 9-percent decline in July), according to provisional figures from VisitBritain. See No. 13.

ON THE RISE: U.S. JOBS, HOUSING STARTS, CONSUMER CONFIDENCE

4. **The dark clouds broke for the U.S. economy**, at least for a couple of weeks, with the September jobs roundup that reported 114,000 more Americans found work, that 323,000 jobs were created in July and August (or 36 percent more than previously estimated), and that unemployment had dropped to 7.8 percent, a 44-month low. Additional good news: Wages climbed and more people were looking for work, not fewer

No one was happier about this than the Democrats and Pres. Obama, recovering from a poorly reviewed debate performance against Republican contender Mitt Romney three days earlier. The October jobs report, due out Nov. 2, will be the last before Election Day.

5. Additional economic ups and downs in the U.S.: **Oil prices bumped up to \$92** per barrel, now seen as a positive sign that growth will continue. **Gasoline has slipped somewhat, to \$3.77** per gallon of regular (national average).

Stock markets had prepared for a dip this week, but that was forestalled when **early corporate earnings came in stronger than expected**. The Dow closed Wednesday at 13,557. In the latest good news on housing, **construction starts jumped an unexpected 15 percent**, to a four-year high of 872,000 units.

The U.S. deficit shrank 16 percent in FY2012, but still topped \$1 trillion for the fourth consecutive year. To be decided after the election: How to address the looming “fiscal cliff” that would raise taxes across the board, slash federal spending and probably drop the economy back into recession.

6. **Consumer confidence continued to rise**, with the Thomson Reuters/Univ. of Michigan index bumping up to 83.1 in early October (a five-year high) from a revised 78.3 in early September. Previously, the Conference Board had reported an even greater surge, to 70.3 in late September from a revised 61.3 in late August.

7. **Euro-zone leaders, including Angela Merkel, apparently will grant Athens more time to pay back massive bailouts** rather than risk pushing Greece out of the euro.

Meanwhile, Spain is expected to formally request euro-zone aid in the coming weeks, to qualify for debt purchases by the European Central Bank and for direct bailout funds if necessary. Madrid was relieved when Moody's confirmed its current rating of Spain's bonds, declining to drop it to junk status.

8. **The dollar dropped a eurocent to €0.76** as of this morning, largely on reports that the euro zone is settling on a course of action for both Greece and Spain.

ARE FARES MAXED OUT? DELTA ADDING PARIS FLIGHTS

9. **The decline in trans-Atlantic yields may indicate that carriers have reached the maximum fares that can still fill planes**. The combined trans-Atlantic yield for U.S. carriers was down 0.5 percent in July and 1.7 percent in August (and was at 0.0 in September), according to Airlines for America. For the immediate future, maintaining trans-Atlantic profits will depend on baggage fees and other ancillary charges. Over the longer term, pressure may grow to add flights and capacity.

The three joint-venture groups that now dominate trans-Atlantic skies (Delta–Air France/KLM/Alitalia, United–Lufthansa/Swiss/Austrian and American–British Airways/Iberia) have been quite successful in managing capacity and fares.

10. **American Airlines reported a 3rd Q loss of \$238 million** on \$6.4 billion in revenue

(+0.8 percent). A \$162 million operating profit was overwhelmed by \$348 million in severance payouts and other bankruptcy reorganization costs. Last month's flight disruptions were "not material," American said.

Meanwhile, **American locked down seats on 48 Boeing 757s**. The sudden shift of entire rows of seats on three flights were ultimately blamed on poor fastener design, wear-and-tear and soda spills.

11. **Delta plans to expand service next summer from the U.S. to Paris's Charles de Gaulle Airport.** New service will begin from **Newark** in June; daily summer service will begin from **Boston** (in addition to two flights now operated by joint-venture partner Air France); an additional daily flight will be added from **Atlanta** (raising the combined Delta-Air France flights to four); and the seasonal flight from **Detroit** will be expanded to year-round service. Reductions in service on other routes will limit the impact on overall trans-Atlantic capacity, which Delta has shrunk this year (by 3.8 percent through September). As a result, Delta and Air France will fly to Paris from a total of 11 U.S. gateways.

Delta says the new service will be coordinated with **the reorganization of Air France terminals at de Gaulle**. Terminal 2E now handles all international flights of Air France and its SkyTeam partners (including Delta) *EXCEPT* those to Schengen countries in Europe. Terminal 2F handles Air France and SkyTeam flights to Schengen destinations (which require no passport check). Terminal 2G accommodates regional carriers (like Air France subsidiaries Brit Air and Régional, and partner Airlinair).

12. **United will begin service from Chicago to Shannon** on June 6 with five flights weekly on Boeing 757 planes (169 seats). United will also add a third daily flight from Houston to Heathrow on March 30.

OLYMPIC LOSSES, IRELAND'S FALL PURSUIT, *COSTA CONCORDIA* HEARING

13. **Tens of thousands of Americans apparently chose to avoid the Summer Olympics in London and go to other European destinations.** While U.S. visits to Britain were down 10 percent in August (and that's a provisional number), U.S. visits to Europe were up 7.6 percent (+79,500).

VisitBritain has stressed that the real benefits of the Olympics—a huge public-relations and "branding" success—will be seen next year, and has launched a £13.5 million global follow-up promotion toward that end.

For the year, U.S. traffic to Britain is still up 3 percent while overall traffic is now flat for the year (it had been +4 percent from the U.S. and +1 percent overall at the end of July).

Meanwhile, **VisitBritain has set a new target for 2020: 40 million foreign visitors**, compared to 31 million in 2011 and launched a "consultation" with the industry and other government agencies. For details: www.VisitBritain.org.

14. **Ireland reported a smaller drop in U.S. visitors for the summer.** For June–August, the total was 365,300, or 2.8 percent fewer than the summer of 2011, according to the Central Statistics Office.
15. **Tourism Ireland will spend £3 million more than Britain on its own worldwide campaign this fall.** And it appears a higher percentage of the total will be spent in the U.S.: In TV spots aimed at the 7.5 million Americans who follow Notre Dame football broadcasts (Dublin hosted the Notre Dame–Navy game Sept. 1); in print ads and features targeting 4 million U.S. readers of *The New Yorker*, *Bon Appétit*, *Condé Nast Traveler* and *Afar* magazines; in radio, print and online ads inviting 13.5 million Americans of Irish descent in major markets to take part in The Gathering 2013; and in videos on major-network websites, and on leading food and travel sites. Good-deal travel offers will be available via many outlets.
- Central to the effort will be a new Tourism Ireland website**, to be launched Jan. 1 with a new url: www.Ireland.com (replacing DiscoverIreland.com). The domain was bought from *The Irish Times* for €495,000, and will better support Tourism Ireland’s social media efforts (the office says its Facebook audience is already No. 3 among world tourism bodies, behind only Austria and Spain).
16. **A preliminary hearing was held this week in the *Costa Concordia* foundering.** A “black-box” recording was played of panicky and contradictory bridge orders on the night of Jan. 13 as the ship hit a rock ledge that tore a 115-foot gash into the hull. Experts testified that sonar had been shut off and that only luck pushed the rapidly sinking ship closer to the Giglio shore where it rolled on its side. The presiding judge will determine if Capt. Francesco Schettino, other officers and owner Costa Cruises (a Carnival subsidiary) should face trial on charges that include causing a shipwreck, abandonment of the ship and manslaughter (of the 4,200 passengers and crew, 32 died).
- Schettino told several survivors attending the hearing that he was sorry. He has said the rock was not on his chart, but that issue was not immediately covered in accounts of the hearing, which was closed to the media. Work toward floating the *Concordia*, a 951-foot-long mega-ship, continues, probably into next June.
17. **Celebrity Cruises has taken delivery of the latest mega-ship**, the 126,000-ton *Celebrity Reflection*, which will carry 3,046 passengers. It will conduct Mediterranean cruises before crossing the Atlantic for a Dec 1 christening in Miami. Celebrity’s fifth and last *Solstice*-class ship is also the last of four ships of 3,000-plus passengers to go into service this year. The others are the *MSC Divina*, the *Costa Fascinosa* (sister to the *Concordia*) and the *Carnival Breeze*.
18. **The Visit Europe Media Exchange opens Monday** at the Harvard Club in New York. The second show will take place at the Hilton in **Chicago** on Thursday.
- Sponsors include Perillo Tours, the German National Tourist Office and Germany’s

UNESCO World Heritage Sites, the Eurail Group, and Visit Berlin and Air Berlin. Go to **VisitEuropeMediaExchange.com** for full details and contact links.

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Trans-Atlantic Traffic Trends, September '12

Compared to previous year, +/- percent

RPMs	Oct. '11	Nov. '11	Dec. '11	Jan. '12	Feb. '12	March '12	April '12	May '12	June '12	July '12	Aug. '12	Sept. '12	ASMs (Sept. '12)	load factor
Delta (Sky)	-10.3	-11.0	-7.3	-4.2	+3.1	-0.4	-6.1	-4.4	-5.5	-6.7	-5.1	-0.3	-2.5	89.9
Air France/ KLM (Sky)	+8.6	+6.2	+9.0	+8.3	+13.1	+9.7	+2.3	-1.8	+5.6	+2.0	+0.0	+1.1	+1.7	91.0
United (Star)	-7.9	-4.1	-1.1	-1.9	+0.8	+1.4	-6.0	-1.7	-1.4	-5.8	-2.4	-5.3	-3.7	83.6
Lufthansa/ Swiss/ Aus. (Star)	+2.3	+4.2	+2.9	-0.3	+0.8	+6.0	+1.5	+2.0	+3.8	+2.1	+4.2	+0.4	-0.6	87.0
American (One)	-0.6	-2.8	+4.8	+3.1	+8.0	+2.0	-2.7	-9.6	-5.5	-3.3	-0.6	-0.7	-5.3	86.9
British Airways/ Iberia (One)	+8.7	+14.0	+23.3	+8.5	+11.1	+16.3	+6.8	+6.9	+6.0	+4.1	+6.2	+6.9	+5.3	86.2
Leading-carriers average	+0.1	+1.1	+5.3	+2.3	+6.2/+2.5*	+5.8	-0.7	-1.4	+0.5	-1.3	+0.4	+0.4	-0.9	87.4
All carriers (Airlines for America + Association of European Airlines)	+0.0	+0.0	+2.8	+0.6	+4.3/+0.7	+5.4	+0.0	-1.5	-1.3	-0.5	+1.9			
U.S.-citizen traffic to Europe, Dept. of Commerce	+1.6	+0.7	+5.9	+2.1	+19.0/+14.9	+6.5	+3.2	+4.8	+4.7	+0.8	+7.6			

* February '12 had 29 days/ average DAILY increase in RPMs was 2.5% for leading carriers, and only 0.7% for all carriers.

Note: Figures include traffic (Revenue-Passenger Miles) generated on both sides of the Caribbean; British Airways/ Iberia figures are for North America only. U.S.-carrier the ocean. Lufthansa figures include traffic between Europe, and Canada, Mexico, figures include trans-Atlantic traffic beyond Europe. Despite these caveats, they remain the Caribbean and South America; Air France/ KLM figures include the same, minus our best immediate trend indicators. Capacity is measured in Available-Seat Miles.