

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • OCT. 4, 2012

U.S. VISITS TO EUROPE SURGED IN AUGUST

1. **U.S. visits to Europe jumped 7.6 percent in August to 1.13 million**, according to the latest numbers from the U.S. Dept. of Commerce. For the year through August, U.S. visits were up 5.1 percent, to 7.87 million, with increases reported for each month. Overall, U.S. summer traffic to Europe has been considerably stronger than we expected.

The increase was achieved even though overall trans-Atlantic traffic in both directions was flat for the month, up only 0.4 percent, as reported in the Sept. 17 newsletter. See the **Volume of U.S. Travel to Europe** chart.

COMING OCT. 17: Overall Trans-Atlantic Traffic/ September

2. **Trans-Atlantic carriers have held off-peak fares at reasonable levels** even though several are expected to report further losses for the 3rd Q. See Nos. 6 & 7 below.

3. **The European Union likely stumbled into recession over the summer** and that's blamed in part on austerity policies that have cut government spending and government jobs on top of the private-sector slumps in many countries.

Massive public demonstrations against austerity swept across Spain, Portugal and Greece last week. That was followed by a Eurostat report that unemployment reached a record 11.4 percent (for both July and August) in the euro-zone countries, with 34,000 jobs lost in August alone. In Spain, unemployment is at 25 percent; in Greece it's higher.

The relief last month over the European Central Bank's plan to keep debt-financing costs down—especially for Spain and Italy—has been replaced by a spreading concern that austerity programs imposed on Greece, Ireland and Portugal—and tough cost-cutting budgets proposed for Spain and Italy—will curb growth and tax revenue as well as spending.

4. **Worries over the euro pushed the dollar up**, but by just one euro cent, to €0.77.

5. Economic positives and negatives in the U.S.: **Oil prices have fallen sharply, to \$89 per barrel** (down 10 percent in 20 days), thanks to mounting evidence that the economic slowdown

is global. **Gasoline slipped less, four cents to \$3.78** per gallon of regular (the U.S. average as of Wednesday).

The housing recovery is accelerating: Sales of existing homes rose 7.8 percent in August over July, the strongest increase since May 2010, according to the National Assoc. of Realtors. Prices for August were up 9.5 percent compared to a year ago, the greatest increase since January 2006.

Consumer confidence surged, from a revised 61.3 in late August to 70.3 in late September, according to the Conference Board index released last week. That confirmed the increase reported by the Thomson Reuters/Univ. of Michigan index, up from a revised 74.3 in early August to 79.2 in early September.

U.S. stock markets are off slightly, with the Dow closing at 13,494 Wednesday, after touching a five-year high of 13,597 on Sept. 20.

OFF-PEAK FARES ARE UP, PILOTS AT WAR WITH AMERICAN AIRLINES

6. **Off-peak fares are up**, but not to a degree that would dissuade travelers. Most notable is that for the three routes we track, fares are “set” well into January. In the case of New York–London, the 37-percent increase over last year reflects just how very low fares were on the busiest trans-Atlantic route in the fall of 2011.

Here are low quotes from Tuesday on Travelocity for non-stop, roundtrip, midweek flights on major carriers; taxes and surcharges included:

travel dates:	Oct. 17-24 (compared to late-Aug. quote)	Nov. 14-24 (compared to late-Aug. quote)	Dec. 12-19 (compared to Sept. '11 quote)	Jan. 16-23 (compared to Nov '11 quote)
New York–London	\$ 928 (883)	\$ 896 (843)	\$ 896 (651)	\$ 896 (678)
Chicago–Paris	1,026 (911)	993 (910)	993 (864)	993 (706)
San Fran.–Frankfurt	1,151 (1,162)	1,091 (1,082)	1,091 (1,098)	1,091 (922)

7. **European carriers will lose \$1.2 billion this year**, \$100 million more than previously forecast, according to the International Air Transport Association. But carriers in all other regions should report combined profits of \$5.3 billion, more than IATA projected in June. Looking ahead to 2013, IATA said airlines should earn \$7.5 billion. While an improvement, the combined profit margin would remain tiny at 1.1 percent.

U.S. trans-Atlantic carriers will report results for the 3rd Q (usually their most profitable) later this month; the European carriers will follow. Among the leaders, only Star Alliance partners United and Lufthansa reported profits for the 2nd Q.

8. **War at American Airlines.** American and the Allied Pilots Association agreed to resume talks after two weeks of conflict in the midst of bankruptcy reorganization. The pilots, who made considerable concessions to the American's previous management to stave off a bankruptcy filing for 10 years, were furious with American's imposition of contract terms (as allowed by the bankruptcy judge). Many began writing up maintenance orders before takeoff and otherwise delaying flights. Result: American's on-time arrivals dropped to a low of 37 percent and rarely rose above 50 percent. That led some travel web sites to recommend that travelers avoid American.

The situation escalated when two American flights were forced to return to their departure airports when rows of recently installed seats came loose. Inspections of other Boeing 757s with new seats found similar problems. No explanation has been offered.

Also in the soup: Planned layoffs of at least 4,000 mechanics and ground workers and "friendly" merger discussions pushed by US Airways, a merger that the pilots support, in no small part because it would likely lead to the departure of CEO Tom Horton and his team.

TOUR OPERATORS CUT 2013 PRICES, VISITBRITAIN ENLISTS 007

9. **Leading tour operators have reduced Europe prices in 2013 brochures by as much as 18 percent** compared to this year, according to a *Travel Weekly* report by Michelle Baran. The lower prices are thanks to this summer's stronger dollar and to worry that demand might be soft next year. Examples: Insight, 7% to 18% less; Trafalgar, 8% to 13% less; Globus, 2% to 5% less.

Trafalgar is also reducing departures to Europe by as much as 20 percent, and adding offerings to South America and the U.S. Globus, on the other hand, anticipates greater volume to Europe. See: TravelWeekly.com/Travel-News/Tour-Operators/Tour-operators-slash-2013-prices.

10. **Visit Britain launches its 'Bond is GREAT Britain' promotion Friday** in major-market movie theaters in the U.S. and 20 other countries. The promotion is built around the Nov. 9 U.S. release of *Skyfall*, the 23rd James Bond movie, with scenes set in London's National Gallery, Whitehall, Greenwich and the Scottish Highlands.

In addition to VisitBritain "trailers" in theaters, print and outdoor advertising will push an online contest to find a rogue agent. The world was primed by the appearance of Queen Elizabeth with Bond actor Daniel Craig at the Olympics opening ceremony July 27.

Friday is the 50th anniversary of the premiere of *Dr. No*, the first Bond movie. Also on Friday, producers will release the *Skyfall* theme song, co-written and performed by Adele.

11. **Brand USA says its summer promotions have increased 'intent to visit the U.S.'** in Britain (+17 percent), Japan (+11 percent) and Canada (+13 percent).

In Britain, 61 percent of survey respondents described the U.S. as "worth paying more for than other travel destinations", as well as increasingly "energetic," "optimistic," and "a place with limitless possibilities" which "has something for everyone." The survey also reported a marked

increase in the number of potential travelers who said the United States is “a place where you feel welcome,” “sophisticated,” and “delivers on its promises.”

VEMEX TWICE: NEW YORK OCT. 22, CHICAGO OCT. 25

12. Journalist slots have been filled for the upcoming Visit Europe Media Exchange.

VEMEX will open in New York on Monday, Oct. 22, at the Harvard Club, and go to the Hilton Chicago on Thursday, Oct. 25.

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.

VEMEX will bring together scores of pre-approved journalists with representatives of national, regional and city tourist offices, rail and other transport services, and major European attractions. For information, go to the website—VisitEuropeMediaExchange.com—then to the city of your choice and to links for direct e-mails to VEMEX staff.

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VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS AUGUST 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 through June 2011 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	493,931 *	+19.0/+14.9
March	910,848	808,794	982,275	992,917	1,025,478	1,041,834	982,679	847,090	852,371	773,308	823,312	+ 6.5
April	769,269	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	806,302	832,117	+ 3.2
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	1,213,377	+ 4.8
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	1,498,656	+ 4.7
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	1,299,502	+ 0.8
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	1,126,098	+ 7.6
										7,488,869	7,867,297	+ 5.1
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		
Final **	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		
	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.

* February '12 had 29 days, average DAILY increase was 14.9 percent.