

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • SEPT. 17, 2012

OVERALL TRAFFIC CONTINUES FLAT, OLYMPICS DECLINE CONFIRMED

1. **Overall trans-Atlantic traffic was flat in August for the fifth consecutive month**, with the leading carriers reporting an average increase of only 0.4 percent. The carriers reduced capacity by an average 0.1 percent and maintained a high average load factor of 88.2 (down only slightly from June's average 88.9. See the **Trans-Atlantic Traffic Trends** chart.
2. **U.S. travel to Europe barely rose in July**, up only 0.8 percent for the month, according to the latest figures from the U.S. Dept. of Commerce. That compared to +4.7 percent for the first two months of the peak season. Thus U.S. visits finally began to reflect the low-growth trend of overall trans-Atlantic traffic. See the **Volume of Travel to Europe** chart.
3. **Travel to Britain dropped 5 percent in July despite—actually, because of—the Olympics** (which opened July 27). Traffic from the U.S. and Canada was down 9 percent, according to provisional figures from VisitBritain. A decline was not unexpected; most previous Summer Olympics host countries have reported that Games-related traffic could not make up for the shortfall in traditional summer-visitor groups.

For the year, U.S. traffic to Britain is still up 4 percent; overall traffic is up 1 percent. See No. 13 below for VisitBritain's follow-up campaign, now underway.

4. **The U.S. State Dept. does not foresee unrest spreading to Europe over an anti-Islamic video posted on YouTube.** Crowds angered by the amateurish "trailers" targeted U.S. embassies and consulates in Cairo, Tunis, Benghazi (where the ambassador to Libya and three other Americans died), and other Middle Eastern cities. The main person behind the video was identified as Nakoula Basseley Nakoula, a former gas-station owner living outside Los Angeles who had served a recent prison term for bank fraud and who described himself as an Egyptian-American Coptic Christian.

JOBS SLOW TO RECOVER, CENTRAL BANKS ON ATTACK, DOLLAR'S DOWN

5. **The European Central Bank bought more time to solve the euro crisis** with its plan to buy debt bonds issued by Spain and other countries. The plan benefitted last week from the election

of pro-European Union parties in the Netherlands and from a high-court decision in Germany allowing the Merkel government to provide critical support toward stabilization.

Although the bond-purchase plan advanced by ECB Chief Mario Draghi is far from a done deal, **rates on both Spanish and Italian bonds have dropped dramatically**, and that was an immediate objective. Meanwhile, Spain is preparing a new fiscal-reform (read: "austerity") program to qualify for direct aid; a formal request for such is expected in weeks.

6. Another measure of Draghi's success is the recent resurgence of the euro. In two weeks, **the dollar has plunged to €0.76 vs. the euro**. That's down 8.4 percent from €0.83 in July, the dollar's 25-month high. Concern over the weakness of the U.S. recovery, below, is another factor. The dollar is nearing its low for the year, €0.74 in March. See **The Euro vs. The Dollar** graph.
7. **The slight summer breeze of U.S. economic optimism was blown away by the August jobs report**, which said only 96,000 were added in the month, and that 41,000 fewer jobs had been added in June and July than previously estimated. A slight decline in unemployment to 8.1 percent was no consolation; that simply reflected the abandonment of job searching by tens of thousands of Americans.
8. **The bad job news led the Federal Reserve vote last week to pump many more dollars into the U.S. economy** through the purchase each month of \$40 billion worth of mortgage-backed securities until employment picks up significantly. Chairman Ben Bernanke said, "A weak job market should concern every American," in announcing the Fed's third and largest "quantitative-easing" program yet. And Bernanke promised "to give it time to make sure the recovery is well established." The Fed, voting 11-1, explicitly stated that creating jobs is its most important task at hand, and that it saw little reason to worry about inflation.
9. **Stock markets responded, with the Dow jumping Friday to 13,593** (its highest since November of 2007). The Fed hopes the rise in stocks, particularly in widely held 401(k) accounts, will encourage more consumer spending.
10. Despite the bad jobs report and before the Fed took action, **consumer confidence rose unexpectedly**, with the Thomson Reuters/Univ. of Michigan index bumping up to 79.2 in early September from a revised 74.3 in early August. Previously, the Conference Board had reported a sharp drop to 60.2 in late August from a revised 65.4 in late July.

TRAVEL IS A BIG PART OF THE SOLUTION

11. On the negative side, **oil prices continued to rise, to \$99** per barrel over the weekend, a four-month high. **Gasoline was up to \$3.87** per gallon of regular (national average), or 17 cents in two weeks. That in turn pushed up the consumer price index by 0.6 in August, the biggest

jump in three years. The higher fuel prices were attributed, in part, to the effectiveness of the sanctions against Iran and to turmoil elsewhere in the Mideast.

President Obama was said to be considering a release from the Strategic Petroleum Reserve to check further price increases.

- 12. Tourism is creating U.S. jobs at a faster rate than the overall economy**, says the U.S. Travel Association. The travel industry accounted for 7,000 new jobs in August alone, according to the industry group.

Since the job recovery began in March 2010, travel and tourism has accounted for 291,000 new jobs, or 8 percent of the U.S. total. "The travel industry is a unique job engine because it is more labor-intensive, export-oriented and outsource-resistant than the rest of the economy," said David Heuther, the group's senior vice president of economics and research.

'GREAT' BRITAIN AD PUSH, MAGMA BUILDS BENEATH SANTORINI

- 13. VisitBritain launched a new wave of 'GREAT' promotions** to exploit the momentum of the Olympics, seen by a vast global TV audience. The office acknowledged the drop-off in arrivals during the Games themselves (August figures may be even worse than July's), but promised "to market the hell out of it and strike while the iron is hot." Past Olympics host countries have frequently failed to roll out campaigns before the buzz had evaporated.

In the 14 cities targeted worldwide before the Olympics (including New York and Los Angeles), research found that 75 percent of recent travelers would now consider a holiday in Britain. That image campaign reached more than 90 million people, VisitBritain said.

The £13.5 million follow-up effort, a partnership with British Airways and other travel interests, includes a seven-month run of ads in *National Geographic* magazine; advertorials in *Time Out* magazines in select cities; and a new video, "Memories are GREAT," positioned on consumer websites around the world. On offer are specific good-deal packages and prices. Target countries include the U.S., India, China, Japan and the Middle East.

- 14. The EU may buckle and suspend its new carbon-emission (ETS) rules for airlines** in the face of near-universal opposition of other regions, the Associated Press reported. With China threatening to halt purchases of Airbus aircraft, with India prohibiting its carriers from taking part, and with the U.S., Canada and Australia urging the EU to await implementation of a global solution, the EU may have no choice.

The UN's Civil Aviation Organization will take up the issue, but not before September 2013. In the meantime, the EU must either relent or face a trade war that could make a difficult economic situation considerably worse.

The ETS, instituted earlier this year, requires airlines to begin actually buying credits next April to offset the carbon emitted for the entire length of flights to and from Europe. European airlines also oppose the EU plan.

15. **Magma is building up beneath the volcano that blew most of Santorini** out of the Aegean Sea 3,600 ago (the resulting tsunami swept away the entire Minoan civilization). Nothing nearly so cataclysmic is forecast for the immediate future, even though the extra 350 million cubic feet have lifted the 1.2-square mile island of Nea Kameni in Santorini's lagoon more than five inches over 18 months. That buildup is estimated to be less than 1 percent of the volume preceding the Minoan blast that created the caldera-bound lagoon. The volcano last erupted, via the Nea Kameni cone, in 1950.
16. **The opening of the new Berlin-Brandenburg (Willie Brandt) Airport** has been pushed back yet again, this time from March to Oct. 27, 2013, or two years beyond its original opening date of October 2011. Four months ago, the problem was that the fire-suppression system was not ready. Apparently cost overruns and the need to refinance have been added to construction problems.
17. **Exhibitors and journalists continue to sign up** for the rapidly approaching Visit Europe Media Exchange.
The Media Exchange takes place at the Harvard Club in **New York**, Monday, Oct. 22, and at the Hilton in **Chicago**, Thursday, Oct. 25. Go to **VisitEuropeMediaExchange.com** for full details and contact links.

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Neil S. Martin
TransAtlantic@dnmartinco.com
Donald N. Martin & Company
646/ 250-8704

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Trans-Atlantic Traffic Trends, August '12

Compared to previous year, +/- percent

RPMs	Sept. '11	Oct. '11	Nov. '11	Dec. '11	Jan. '12	Feb. '12	March '12	April '12	May '12	June '12	July '12	Aug. '12	ASMs (Aug. '12)	load factor
Delta (Sky)	- 7.6	- 10.3	- 11.0	- 7.3	- 4.2	+ 3.1	- 0.4	- 6.1	- 4.4	- 5.5	- 6.7	- 5.1	- 5.4	89.5
Air France/ KLM (Sky)	+ 12.2	+ 8.6	+ 6.2	+ 9.0	+ 8.3	+ 13.1	+ 9.7	+ 2.3	- 1.8	+ 5.6	+ 2.0	+ 0.0	+ 0.8	88.8
United (Star)	- 2.1	- 7.9	- 4.1	- 1.1	- 1.9	+ 0.8	+ 1.4	- 6.0	- 1.7	- 1.4	- 5.8	- 2.4	- 2.7	84.7
Lufthansa/ Swiss/ Aus. (Star)	+ 3.9	+ 2.3	+ 4.2	+ 2.9	- 0.3	+ 0.8	+ 6.0	+ 1.5	+ 2.0	+ 3.8	+ 2.1	+ 4.2	+ 2.7	89.1
American (One)	+ 0.5	- 0.6	- 2.8	+ 4.8	+ 3.1	+ 8.0	+ 2.0	- 2.7	- 9.6	- 5.5	- 3.3	- 0.6	- 1.1	87.5
British Airways/ Iberia (One)	+ 7.3	+ 8.7	+ 14.0	+ 23.3	+ 8.5	+ 11.1	+ 16.3	+ 6.8	+ 6.9	+ 6.0	+ 4.1	+ 6.2	+ 6.2	89.6
Leading-carriers average	+ 2.4	+ 0.1	+ 1.1	+ 5.3	+ 2.3	+ 6.2/+2.5 *	+ 5.8	- 0.7	- 1.4	+ 0.5	- 1.3	+ 0.4	- 0.1	88.2
All carriers (Airlines for America + Association of European Airlines)	+ 2.5	+ 0.0	+ 0.0	+ 2.8	+ 0.6	+ 4.3/+0.7	+ 5.4	+ 0.0	- 1.5	- 1.3	- 0.5			
U.S.-citizen traffic to Europe, Dept. of Commerce	- 0.3	+ 1.6	+ 0.7	+ 5.9	+ 2.1	+ 19.0/+14.9	+ 6.5	+ 3.2	+ 4.8	+ 4.7	+ 0.8			

* 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 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.

VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS

JULY 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
										6,441,689	6,741,199	+ 4.6
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.

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

One dollar equals:
Interbank rate/Monday closings

THE DOLLAR VS. THE EURO 2012

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, Estonia was the most recent to join the euro zone, on Jan. 1, 2011.

