

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • SEPT. 3, 2013

THE SYRIAN FACTOR

1. **Trans-Atlantic fares are showing remarkable stability compared to previous months and to a year ago.** At the same time, U.S. carriers reported a second summer month of increased yields. Which indicates that airlines have found a profitable balance between traffic and fares. The worry is that fuel prices could suddenly spike with rising tensions over Syria. See Nos. 9 & 10 below.

**NEXT ISSUE: Overall Trans-Atlantic Traffic/ August
U.S. Traffic to Europe/ July**

2. **A possible U.S. strike targeting the Syrian military was delayed.** Pres. Obama said Saturday that he will order the strike—to punish the Assad government for killing more than 1,400 people in a Damascus suburb with sarin gas—but wants Congress to authorize the action. Leaders of Congress, now adjourned, said a vote would take place the week of Sept. 9.

A STRONGER 2nd Q, VOLATILE OIL PRICES

3. **At 2.5 percent, U.S. economic growth was greater in the 2nd Q than first estimated.** Export-import data was considerably more favorable than estimated a month ago, when 2nd Q growth was put at 1.7 percent by the Bureau of Economic Analysis. Growth in the 1st Q was only 1.0 percent.

Stock markets slumped last week to a two-month Dow low at 14,776, thanks to worries that U.S. intervention in Syria would threaten oil supplies. But Thursday's 2nd-Q growth report and Obama's delay of military action helped to push the Dow back toward 15,000 this morning.

Oil spiked to more than \$112 a barrel Wednesday before falling back to \$108 over the weekend. That was a two-year high, but still well below the record of \$145 in July 2008 that devastated airlines and trans-Atlantic travel. **Gasoline prices edged upward to \$3.59** per gallon (national average).

Rising fuel prices could lead carriers to end the expansion of trans-Atlantic airline capacity that began in May.

4. **Sales of existing homes jumped 6.5 percent in July** compared to a June in which they fell, and were up 17.2 percent from July 2012. The national median price was \$213,500, down slightly from July's figure, but 13.7 percent more than a year ago, the 17th consecutive month of such price increases. The median number of days on the market was 42, up from 37 in June, but down from 69 a year ago.

But sales of new homes dropped 13.4 percent in July, and were revised sharply downward for June. Which indicates that the pace of new construction is slowing, perhaps under pressure of rising mortgage rates.

5. **Consumer confidence stabilized.** The Conference Board index actually rose slightly to 81.5 in late August from a revised 81.0 in late July.

Previously, the Thomson Reuters/Univ. of Michigan index dropped to 80.0 in early August from a revised 85.1 in early July.

6. In Europe, **eurozone unemployment continued at a record 12.1 percent in July.** For the entire European Union, unemployment was also unchanged at 11.0 percent, all according to Eurostat. Youth unemployment (16-25) ticked up to 24.0 percent in the eurozone and down to 23.4 percent in the EU as a whole.

The eurozone came out of its longest recession in the 2nd Q, barely, with growth of 0.3 percent.

7. **Nervous currency markets were pushing the dollar up toward €0.76.**

MERGER TO TRIAL IN NOVEMBER, NORWEGIAN TO FLY FROM WEST COAST

8. **November 25 is the trial date set by the federal judge in the American-US Airways antitrust case.** Judge Colleen Kollar-Kotelly sided with the carriers Friday in favor of "a tighter, expedited schedule." The Dept. of Justice, which had had sought a March trial date, said it would be ready Nov. 25. At this point, the judge expects to hear perhaps 20 witnesses over 10 days in the U.S. District Court for the District of Columbia.

If the merger that would create the world's largest airline is blocked, American would have to rebuild its plan to exit bankruptcy.

9. **U.S. airlines reported another gain—5.5 percent—in trans-Atlantic yields in July**, compared to a year ago. That comes on top of the 8.0 -percent gain for June. The accumulated gain for the 12 months ending in July was 3.1 percent. U.S.-carrier yields for Latin America and Pacific routes are -2.6 percent and -1.6 percent respectively over 12 months, and up only 0.8 percent for domestic flights.

10. **Fares are remarkably stable** compared to previous months and to a year ago, at least on the routes we track. Here are low fares quoted Sunday on Expedia for roundtrip, non-stop, midweek flights on major carriers; taxes, fees and surcharges included:

Travel dates:	Sept. 11-18 compared to late-July quote)	Oct. 16-23 compared to late-July quote)	Nov. 13-20 compared to early July '12 quote)	Dec. 11-18 compared to July '12 quote)
New York–London	\$880 (\$877)	\$880 (\$877)	\$838 (\$843)	\$846 (\$843)
Chicago–Paris	1,017 (1,074)	1,017 (1,072)	967 (910)	967 (910)
San Fran.–Frankfurt	1,200 (1,218)	1,200 (1,218)	1,099 (1,082)	1,106 (1,098)

11. **Norwegian Air Shuttle will launch new service from Los Angeles, Oakland and Orlando to the Scandinavian capitals** of Oslo, Copenhagen and Stockholm next spring. The all-Dreamliner service will include the only nonstops from the three U.S. gateways to Oslo, the only nonstops from Los Angeles and the San Francisco area to Stockholm, and the only nonstops from Los Angeles to Copenhagen.

Norwegian operates as a low-fare carrier; introductory one-way fares from Los Angeles would start at only \$236, taxes and surcharges included.

Norwegian, which has been expanding rapidly (largely at the expense of Scandinavian Airlines), entered the trans-Atlantic market only this year with six flights weekly from JFK to the Scandinavian capitals. In November, Norwegian will begin flying from Fort Lauderdale to the three Scandinavian capitals. For more details: Norwegian.com/long_us.

EXPEDIA TO OPERATE TRAVELOCITY, NEW CRUISE LINE BUILDS SHIPS

12. **Scenic Tours Group of Australia**, which already operates one fleet of seven ships on European rivers, **is launching a second, more-moderately priced fleet** next year under the Emerald Waterways brand. Two ships, the *Emerald Star* and *Emerald Sky*, are under construction in the Netherlands, and scheduled to begin spring and summer cruises on the Rhine and Danube.

The ships will carry 182 passengers; the big new feature is the indoor pool aft, which will convert into a cinema at night. Scenic founder Glen Moroney began in 1986 with bus tours for seniors in Melbourne, then expanded to New Zealand and ultimately to Canada, Britain and the U.S. Scenic's 169-passenger "Space Ships" began operating in 2008.

The new line was first announced earlier this year as Riva Waterways; the name was changed to avoid potential conflict with the Italian speed-yacht builder. All-

inclusive fares for an eight-day Rhine itinerary start at \$2,230 per person, double occupancy.

13. In a uniquely constructed deal, **Sabre Holdings has hired Expedia to operate its Travelocity online agency**, beginning next year. The deal was announced a week after Tom Klein abruptly replaced 10-year CEO Sam Gilliland.

Expedia will thus control more than 60 percent of the huge U.S. online travel market, according to PhoCusWright. (Expedia is now at 46 percent; Travelocity, 16 percent; Orbitz, 21 percent and Priceline, 11 percent.)

Sabre, a leading global distribution system, has apparently given up on the idea of reversing Travelocity's downward trend, although it will continue to own and market the brand, and receive commissions from Expedia on revenue generated by Travelocity websites. Ultimately, Sabre may sell Travelocity in preparation for a possible IPO of the privately held parent.

Expedia is headed by Barry Diller, who is also chairman of IAC/InterActivCorp. Expedia earlier reported a 2nd-Q profit of \$71.5 million, -32 percent from a year ago, despite a 16-percent increase in revenue to \$1.2 billion.

14. Earlier this month, **Priceline reported a \$437.4 million 2nd-Q profit** (+24 percent) on revenue of \$1.7 billion (+27 percent). Gross bookings totaled \$10.1 billion (+38 percent). Much of Priceline's revenue and profit is derived from expanded hotel and car-rental operations beyond the U.S.; its completed purchase of Kayak will add to that. The stock spiked to \$986 per share in August, near its all-time high.

Orbitz Worldwide reported a small \$561,000 profit in the 2nd Q (-88 percent), after writing off \$18.1 million in one-time refinancing costs. That was on revenue of \$225.8 million (+12 percent) and gross bookings of \$3.1 billion (+4 percent).

Both online agencies reported big increases in hotel bookings.

U.S. TRAFFIC TO IRELAND COULD BREAK RECORD

15. **North American visits to Ireland have jumped 18.6 percent** this year through July to 671,600. Overall international visits to Ireland are up 6 percent to 3.9 million, according to Ireland's Central Statistics Office.

In Dublin, Niall Gibbons, the Tourism Ireland chief, said the Republic expects more than 1 million U.S. visits for the year. That would break the 2007 record of 995,000 U.S. visits, and push revenue from the U.S. market to more than \$1 billion.

U.S. visits to Europe as a whole were down slightly (-0.5 percent) through June, according to U.S. Dept. of Commerce data issued in late July.

16. **The Flanders region will play a leading role in commemorating the 100th anniversary of World War I.** The fighting began in early August 1914, when German forces crossed into Belgium. Within weeks, the western end of the Western Front was established in Flanders—miles of trenches that moved only slightly over most of the next four years.

Flanders' "Great War Centenary" began this summer with the opening of a new wing at the Memorial Museum of Passchendaele. An exhibition on the trauma of the war will open Nov. 1 at the In Flanders Fields Museum (in the medieval Cloth Hall) in Ypres and at the Dr. Guislain Museum in Ghent.

Every evening, Ypres' Menin Gate is the scene of the Last Post ceremony, in which buglers from the city's fire brigade play "Last Post" and "Réveille." The names of 58,896 British Commonwealth soldiers with "no known grave" are inscribed in stone on the interior walls. For more on centenary events, see:

www.VisitFlanders.us/what-to-do/events/great-war-centenary/events_2014-2018.jsp.

All the European nations involved in the war, from Britain and France to Austria and Turkey, are expected to hold hundreds of memorial exhibitions and events through 2018.

17. **Exhibitor registration for the Visit Europe Media Exchange continues.** VEMEX will open in **Toronto** on Friday, Nov. 15; then go to **New York** on Monday, Nov. 18; and to **San Francisco** on Wednesday, Nov. 20. For information and registration, go to **VisitEuropeMediaExchange.com**.

Early-media registration has begun with enthusiastic response. General-media registration will open this month. The organizers anticipate a media wait-list again this year.

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