

TRANS•ATLANTIC®

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

U.S. VISITS TO EUROPE UP IN JUNE AND FOR ALL OF 1ST HALF

1. **U.S. visits to Europe increased 4.7 percent in June to 1.50 million**, according to the latest numbers from the U.S. Dept. of Commerce. For the year through June, U.S. visits were up 5.6 percent, to 5.44 million, with increases reported for each month.

Overall trans-Atlantic traffic has been flat in recent months, as reported in the Aug. 16 newsletter. See the **Volume of U.S. Travel** chart.

2. **Off-peak fares are no longer trending down.** Indeed, they have jumped on some routes, notably on the busiest, New York–London. See No. 10 below.

SAVE THE MIDDLE CLASS!

3. **The U.S. economy grew slightly more in the 2nd Q—1.7 percent—than first measured**, the Dept. of Commerce said this week. The initial estimate was 1.5-percent GDP growth.

COMING SEPT. 16: Overall Trans-Atlantic Traffic/ August

4. **The euro crisis was headed for another critical meeting Thursday**, at which European Central Bank Pres. Mario Draghi hopes to advance his plan to buy more Spanish and Italian bonds to keep those nations' borrowing costs at sustainable levels. Will Germany relax its adamant resistance?

Meanwhile, Moody's lowered its outlook on the European Union's Aaa rating to "negative." An actual downgrade of the whole EU would likely only follow downgrading of German, France, Britain and the Netherlands, which together account for 45 percent of EU budget revenue.

5. **The dollar has slipped to less than €0.80** over the past 2½ weeks of relative inaction—pro or con—on the euro crisis.
6. Other economic positives and negatives: **Oil prices were up to nearly \$97 per barrel** this week, and **gasoline jumped to \$3.82** per gallon of regular (national average as of today),

the highest since April, with five cents of that attributed to the temporary Hurricane Isaac shutdown of Gulf refineries.

U.S. sales of existing homes rose 2.3 percent in July over June, said the National Assoc. of Realtors. Prices also rose, for the fifth straight month by their estimate. Continued low mortgage rates are helping the housing market, said to finally be in a sustained recovery.

However, **consumer confidence dropped sharply**, from a revised 65.4 in late July to 60.2 in late August, according to the Conference Board index released last week. That was in the opposite direction reported two weeks earlier by the Thomson Reuters/ Univ. of Michigan index, which rose slightly from a revised 72.3 in early July to 73.6 in early August.

The Federal Reserve is considering more stimulus support; stock markets were nervous with **the Dow hovering just above 13,000**.

7. **The Democrats will formally nominate Pres. Obama for re-election Wednesday**, following the Republican confirmation of Mitt Romney and Paul Ryan as their candidates last week. The election that will decide who makes the country's critical economic decisions into the next four years is nine weeks away.

U.S. MIDDLE CLASS: SMALLER, POORER AND AN ELECTION TARGET

8. **A central issue in the election will be 'saving' the U.S. middle class**, long the world's leading buyer of consumer products and services—including travel.

A new report, released Aug. 22 by the Pew Research Center, outlines a middle class that "has shrunk in size, fallen backward in income and wealth, and shed some—but by no means all—of its characteristic faith in the future."

Census data show a vast shift of wealth over the past decade from the middle class to the top 10 percent, and especially to the top 1 percent, the report said. Related to this shift is data showing that wages now account for an all-time low share of the total U.S. economy, while corporate profits are at an all-time high share.

The "middle tier" in income has shrunk steadily since 1971 from 61 percent of all adults to 51 percent in 2011 (roughly 117 million over age 20), with slightly more people moving into the upper tier than into the lower tier, the report said. The upper tier took in 46 percent of the nation's total household income in 2010, up from 29 percent in 1970. The middle tier took in 45 percent, down from 62 percent. The bottom tier took in 9 percent, down from 10 percent. Other highlights:

- After peaking at \$73,000 in 2001, middle-tier median household income dropped to \$69,500 in 2010 (adjusted for inflation).
- Median net worth dropped harder and faster, from a peak of \$153,000 in 2007 to \$93,000 today, reflecting the housing bust and related financial meltdown.
- The 2000-2010 decade was the first since World War II in which U.S. median household income fell. And while income fell for all income tiers, only the middle tier also shrank in size.

- 85 percent of those who said they are “middle class” said it is harder to maintain their standard of living today than it was 10 years ago.
- Who does the middle class blame “a lot” for their difficulties? Congress, 62%; Banks, 54%; Large Corporations, 47%; Bush Administration, 44 percent; Foreign Competition, 39%; Obama Administration, 34%; Middle Class Itself, 8%.
- Those who call themselves middle class feel that Obama policies would help them more than Romney policies, but not by a lot, 52% to 42%. Those who identify as wealthy favor Romney, 71% to 38%; those who identify as poor, favor Obama, 62% to 33%.

The middle tier was defined as those adults with household income of between \$45,000 and \$137,000 (for a family of four). The national median income is \$68,274.

The report combined analysis of census and Federal Reserve data with a survey of 1,287 adults who described themselves as “middle class.” The full report is at www.PewSocialTrends.org/2012/08/22/the-lost-decade-of-the-middle-class

9. **Despite continuing economic difficulties, Americans who travel are ‘trading down’ less and taking fewer ‘stayvacations’** to save money, according to an MMGY Global/ Harrison survey of 2,527 households cited by various outlets.

But it was interest in domestic vacations that rose, while interest in international trips fell from 11 percent to 9 percent of the surveyed travelers.

More than nine in 10 agreed that “the memories I get from my vacations make the trip worth it.” More people said they prefer luxury hotels and resorts this year (26 percent) than in 2011 (only 15 percent). More travelers are choosing their destination (34 percent) and “type of trip” (33 percent) before determining a budget (18 percent) or searching for deals (8 percent). Those surveyed reported household income of \$50,000 or more, and having taken at least one overnight trip of 75 miles or more over the previous 12 months.

10. **Americans who traveled to Europe in 2011 were more like to be female, older and with higher incomes** than Americans traveling to other overseas destinations. That’s according to the *Survey of International Air Travelers* issued this summer by the Office of Travel & Tourism Industries of the Dept. of Commerce.

They also were more likely to visit historical places, cultural sites and museums, and to tour the countryside. See **2011: Profiles of U.S. Travelers**, attached.

NEW YORK-LONDON FARES JUMP, UNITED TO FLY 787 TRANS-ATLANTIC

11. **Fares are on the rise again**, but not on all routes. Of the three routes we track, New York–London saw an 18-percent increase for off-peak flights from late July. Most of the leading carriers on the route were quoting the same low \$883 fare last week for midweek roundtrips through October. That dropped to \$843 for similar flights in November and December.

Fares for Chicago–Paris and San Francisco–Frankfurt did not move nearly as much. Here

are the quotes from last Tuesday on Travelocity for non-stop, roundtrip, midweek flights; taxes and surcharges included:

travel dates:	Sept. 12-19 (compared to late-July quote)	Oct. 17-24 (compared to late-July quote)	Nov. 14-21 (compared to Aug. '11 quote)	Dec. 12-19 (compared to Sept. '11 quote)
New York–London	\$ 883 (751)	\$ 883 (751)	\$ 843 (790)	\$ 843 (651)
Chicago–Paris	1,115 (1,052)	911 (919)	910 (1,099)	910 (864)
San Fran.–Frankfurt	1,162 (1,051)	1,162 (1,050)	1,082 (1,014)	1,082 (1,098)

12. United will be the first to fly the Boeing 787 Dreamliner from the U.S. to Europe.

As the first U.S. airline to receive the 787 (five are to be delivered by year's end), United said it would begin daily service with its 219-seat version from Houston to Amsterdam on Dec. 4, and from Houston to London (Heathrow) on Feb. 4; both on a "temporary basis."

LOT Polish Airlines, the first European carrier to receive the 787, said it will be assigned to Chicago-Warsaw service in January.

13. Icelandair will inaugurate twice-weekly flights from Anchorage to Reykjavik on May 15. The route over the Canadian Arctic and Greenland will take about seven hours. From Keflavik airport, passengers can connect to Icelandair flights to more than 20 European destinations, now including Zurich and St. Petersburg. Icelandair is already a partner with Alaska Airlines, codesharing on flights out of Seattle, an Icelandair gateway since 2010.

14. American Airlines is ending its JFK service to Brussels on Nov. 6 after eight years. It has been an increasingly competitive route, with Brussels Airlines last year joining American, Delta, and Jet Airways from JFK, and United and Jet from Newark.

Also, Delta is ending Memphis–Amsterdam service this month, and United is ending Houston–Paris service in October.

15. Lufthansa is battling with flight attendants. A second one-shift strike today forced cancellation of hundreds of flights out of Frankfurt, Munich and Berlin. The crews want a 5-percent raise and a guarantee against job outsourcing. Lufthansa, battling to turn a profit this year, is offering 3.5 percent. The union threatened to escalate to full-day strikes at all airports in Germany.

16. Schiphol Airport was partly evacuated last Wednesday after construction workers found a 1,100-pound German bomb dating back to World War II, buried near Pier C. That connects the main terminal with Departure Hall One. It wasn't clear if the bomb (detonated safely later in the day) was a relic of a May 1940 Luftwaffe bombing of Schiphol or—less likely—of Luftwaffe operations out of Schiphol during the occupation of the Netherlands.

VEMEX: JOURNALIST REGISTRATION TO OPEN

17. **Journalists are signing up rapidly to attend the Visit Europe Media Exchange** in New York (Tuesday, Oct. 22) and Chicago (Thursday, Oct. 25). In fact, two-thirds of those confirmed are either new this year or have not been to the show for at least two years previously. And the approved wait list for New York is now at 50-plus; most are expected to get in as exhibitors continue to register.

VEMEX will bring together more than 140 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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Neil S. Martin
TransAtlantic@dnmartinco.com
646/ 250-8704