

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • JULY 2, 2012

AIRFARES REMAIN STEADY

1. **Trans-Atlantic fares are remarkably stable for the peak season and off-peak reductions are being offered for travel after Labor Day**, earlier than usual. The rapid, recent decline of fuel prices eases pressure on fares. Reduced competition has enabled the three dominant trans-Atlantic airline alliances to more closely calibrate capacity and pricing. See No. 5 below.

**COMING JULY 16: Overall Trans-Atlantic Traffic/ June
U.S. Traffic to Europe/ May**

EURO FEARS SUBSIDE

2. **The euro zone stepped back from the edge again. A new Greek government was elected, with the pro-bailout parties eking out a narrow plurality.** The new prime minister, conservative Antonis Samaras, promised to retain the euro and seek some relief from austerity requirements.

Then, last week, German Chancellor Angela Merkel agreed that bailout funds could be moved directly to troubled banks, instead of through member governments (which have been struggling desperately to finance the added debt and austerity requirements).

Meanwhile, Cyprus became the fifth of the 17 euro nations to ask for European Union support (its banks were swamped by investment losses in Greece, including sharply discounted bonds).

The crisis continues with Spain and Italy struggling each month to roll over debt (they are paying rates that are barely sustainable), reform labor markets and re-ignite growth.

3. Over two weeks, **the dollar dropped from a 23-month high vs. the euro** (€0.81, inter-bank rate), bounced up and down in reaction to euro-crisis news, and was at €0.79 this morning.
4. Other economic positives and negatives: **Oil prices were sliding before the latest euro deal, then jumped** to \$85 a barrel from \$78 (which had been an eight-month low). **Gasoline hit \$3.37** per gallon of regular this weekend (U.S. average, at a six-month low), but that is expected to rise with oil. **Housing sales prices continued to rise**, reinforcing hope that the bottom was finally touched this spring.

Consumer confidence declined further, from a revised 64.4 in late May to 62.0 in late June, according to the Conference Board index. Previously, the Thomson Reuters/ Univ. of Michigan index dropped sharply from a revised 79.3 in early May (the 4½-year high) to 74.1 in early June. **The Dow was at 12,815 early today.**

OFF-PEAK FARES WILL ARRIVE EARLY

5. Trans-Atlantic fares continue to hold steady for the peak season. The lowest New York–London fares have slipped to just below \$1,000 for July and August. Upward moves on the routes we track have been less than 5 percent except for San Francisco–Frankfurt in August (the United–Lufthansa joint alliance has no competition on the route).

Moreover, **off-peak reductions are going into effect early**, right after Labor Day, and low fares for both September and October are below those of a year ago. These are quotes this week on Travelocity for non-stop, roundtrip flights on major carriers; taxes and surcharges included:

travel dates:	July 11-18 (compared to late-May quote)	Aug. 15-22 (compared to late-May quote)	Sept. 12-19 (compared to June '11 quote)	Oct. 17-24 (compared to Aug. '11 quote)
New York–London	\$ 998 (1,110)	\$ 998 (1,079)	\$ 825 (742)	\$ 825 (830)
Chicago–Paris	1,365 (1,312)	1,227 (1,295)	1,106 (1,153)	1,007 (1,032)
San Fran.–Frankfurt	1,665 (1,587)	1,518 (1,428)	1,175 (1,256)	1,175 (1,198)

6. Ryanair Chief Executive Michael O’Leary has renewed his pursuit of Aer Lingus. In the third attempt since 2006, Europe’s leading budget carrier is offering a markup of nearly 40 percent for Aer Lingus stock. Ryanair already holds 29 percent; if the Irish government agreed to sell its 25 percent, Ryanair would win operational control. Also, Etihad Airlines has said it wants to buy 2.9 percent. Previous governments have opposed a Ryanair takeover, saying it would eliminate competition. But Dublin needs cash these days.

O’Leary said that Ryanair would consider establishing “low-cost” trans-Atlantic fares on Aer Lingus routes to New York, Boston and Chicago. There has been no attempt by leading budget carriers on either side of the ocean to launch trans-Atlantic service. Several smaller carriers attempted super-budget, trans-Atlantic fare schemes before the meltdown, but those failed.

DRAMA AT BRAND USA

7. The chief executive of Brand USA quit 10 days ago, after only a year on the job and just seven weeks after launching “Land of Dreams” TV spots in Britain, Canada and Japan. Jim Evans left as a result of “discussions” with the board of Brand USA (officially, the U.S. Corp. for Travel Promotion) and was replaced—on an interim basis—by the vice chairman, Caroline Beteta, the longtime

chief of Visit California.

Evans' departure came a week after a letter was issued by six Republican senators demanding release of Brand USA's first annual report (now available on the website) and many financial documents, including expenses for the Brand USA launch party at last November's World Travel Mart in London. "We are concerned about reports of potentially significant waste and misuse of funds at the Corporation," the letter said, without citing any source for those reports.

Signing were Sens. DeMint (SC), Coburn (OK), Grassley (IA), Sessions (AL), Paul (KY) and Lee (UT). When the Senate approved the Travel Promotion Act in 2010 by a 78-18 vote, the first four signers were among the conservative Republicans opposed; the latter two were elected to the Senate later in the year.

The senators also questioned award of the lead promotional contract to JWT without competitive bidding. But, as *Travel Weekly* pointed out, this is not required by Congress under the public-private structure of Brand USA.

Brand USA is overseeing the most ambitious promotion ever of tourism to the U.S. with access to up to \$200 million a year generated 50 percent from the industry and 50 percent matched by U.S. fees on visa-waiver visitors, most from Europe. There are no taxes or fees on Americans.

Unfortunately, industry contributions have lagged, totaling only \$40 million (\$30 million of which is "in-kind," not cash), even though it was the U.S Travel Association—the industry lobby—that basically wrote the Travel Promotion Act and pushed it through Congress. (Beteta was the USTA chairman at the time.)

"Land of Dreams" commercials (Roseanne Cash wrote and performed the title song), and associated print, transit and DiscoverAmerica.com promotions are scheduled to break in Brazil and South Korea later this summer; there was no indication that this expansion might be delayed.

Beteta promised full cooperation with the questioning senators; pointed out that board members have not charged Brand USA for their frequent travel, including to the World Travel Mart; and asserted that Evans' departure was in the works before the senators' letter arrived. "The organization's focus is changing, and all parties agreed this was the most appropriate time for a leadership change," she said, without getting any more specific about the need for change.

See TheBrandUSA.com for the annual report, budget, history and releases.

BRITAIN TO BUILD ON OLYMPICS MOMENTUM, CARNIVAL PROFIT SHRINKS

8. **VisitBritain and British Airways will launch £5 million worth of post-Olympics promotions** in the U.S. and other international markets immediately after the Sept. 9 closing ceremony for the London Paralympics (the latter follow the Summer Games, which close Aug. 12.)

Marketing Director Laurence Bresh promised "to capitalize on the media coverage" to build momentum for the fall and beyond. Anniversary promotions aimed at the U.S. market will include

the 50th anniversary of both James Bond movies (*Dr. No* was the first) and the “British Invasion” led by the Beatles and Rolling Stones.

Videos starring three new celebrities—boxer Lennox Lewis, tennis player Boris Becker and golfer Colin Montgomerie—are promoting Britain to sports fans.

9. **Travel to Britain was up 6 percent overall for the year through April**, but down 3 percent from the U.S., according to preliminary estimates issued by VisitBritain.

10. **Carnival Corp. reported a 93 percent drop in 2nd Q profit**, to \$14 million. Revenue was down only 3 percent to \$3.5 billion, but unrealized losses on fuel derivatives (-\$145 billion), higher fuel costs (-\$71 billion), and a decline in bookings and yields on Costa ships following the *Costa Concordia* foundering drained most of that away.

VEMEX REGISTRATION UNDERWAY

11. **Registration for exhibitors continues on VisitEuropeMediaExchange.com.** The next edition of the Media Exchange takes place this fall at the Harvard Club in **New York**, Oct. 22, and at the Hilton in **Chicago**, Oct. 25.

Registration of journalists will begin the first week of August.

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, email to VEMEX@dnmartinco.com.

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