

TRANS•ATLANTIC®

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

SANDY SHUTS DOWN NEW YORK GATEWAY

1. **JFK and Newark airports were back in action Wednesday.** With Hurricane Sandy bearing down Monday, airlines canceled thousands of flights. Airline operations were disrupted throughout the U.S. and across the Atlantic as the carriers moved aircraft and crews from harm's way and then back again. LaGuardia (which receives no trans-Atlantic flights) did not reopen until early Thursday. Logan, Philadelphia and Dulles also saw virtually all flights canceled for at least a day.

Flight cancellations, of course, were the least of the problems that Sandy brought to the metro area and neighboring states. While loss of life was relatively low, the economic cost is being estimated at as much as \$50 billion.

NEXT ISSUE: U.S. Visits to Europe/ September
Overall Trans-Atlantic Traffic/ October

2. **Trans-Atlantic carriers have stabilized fare levels for travel through February.** Low midweek fares on the three major routes we track show no deviation over the next four months (except for the Christmas holiday). See No. 11 below.

U.S. JOBS, GDP, CONFIDENCE: ALL UP AS ELECTION LOOMS

3. **The U.S. economy added 171,000 new jobs in October.** Confirming an upward trend, Dept. of Labor estimates for August and September were also increased, by 33 percent to a total of 340,000 jobs. The unemployment rate ticked up to 7.9 percent. Employment growth has now averaged 157,000 a month for the year, slightly more than in 2011.
4. The jobs data arrived today, a week after the report that **U.S. GDP grew a modest 2 percent in the 3rd Q.** That's up from 1.3 percent in the 2nd Q and equal to the 2 percent growth of the 1st Q. While business spending and exports were down due to the slowing global economy and the Midwest drought, consumer spending was up, particularly for housing and renovations. Government spending, including for defense, was also up.

5. **Polls project a very close election Tuesday, with Pres. Obama's razor-thin leads in several battleground states well within margins of error.** Also to be decided is control of the U.S. Senate, with Democrats more hopeful of retaining their majority than they were this summer. Continued Republican control of the House seems more likely, but by a smaller margin.

6. Economic positives continued to outweigh negatives in the U.S.: **Oil prices have dropped to \$85 per barrel**, from \$92 two weeks ago. **Gasoline fell sharply to \$3.50 per gallon** of regular (the U.S. average), although Sandy's aftermath may push that up.
The housing recovery continued: Sales of existing homes slipped 1.7 percent in September (after a big 7.8-percent gain in August), while sales of new homes jumped 5.7 percent over the revised August total. Compared to a year ago, existing-home sales are up 11 percent and median prices are up 11.3 percent. New-home sales are up 27 percent, with median prices up 12.0 percent.
U.S. stock markets have declined over the past two weeks, ending Thursday at 13,233. The five-year high of 13,597 was reached on Sept. 20.

7. **Consumer confidence rose again**, continuing a trend that began in August, from a revised 68.4 in late September to 72.2 in late October, the Conference Board reported Thursday. That confirmed the increase reported by the Thomson Reuters/Univ. of Michigan index, up from a revised 78.3 in early September to 83.1 in early October.

8. Europe's debt crises simmered as Eurostat reported that **the combined debt of European Union countries reached a new high of 90 percent of total EU GDP** at the end of the 2nd Q. Despite austerity programs, debt is rising and growth has stalled (3rd Q GDP numbers are due next month). This public debt figure does not include intra-government debt.
Europe's public debt/GDP ratio remains considerably higher than that of the U.S., which is at 73 percent.

9. **The dollar has barely moved against the euro** over the past two weeks, hovering at first below, and now above, €0.77.

10. Here is some **basic data on U.S. travel to three countries** in the first six months of 2012:

Britain: Overnights, +11.0 percent to 11,487,000/ Visitors, +8.5 percent to 1,397,000.
(Note: VisitBritain has since reported that U.S. visits to Britain fell during the Olympics)

Germany: Overnights, +3.0 percent to 2,238,983 (in establishments offering more than 10 beds).

Portugal: Overnights, +5.2 percent to 292,475/ Visitors, +7.5 percent to 135,012 (hotels).

SUPER-STABLE FARES, DELTA's BIG QUARTER

11. **Rarely have trans-Atlantic fares appeared so locked-in looking forward.** Low fares quoted this week on Travelocity on the three routes we track are stable for travel through mid-February. The lowest New York–London midweek roundtrips are going for \$894 without deviation (except for the immediate Christmas holiday).

Here are the low quotes earlier this week for non-stop flights on major carriers, taxes and fees included.

travel dates:	Nov. 14-24 (compared to late-Sept. quote)	Dec. 12-19 (compared to late-Sept. quote)	Jan. 16-23 (compared to Nov. '11 quote)	Feb. 13-20 (compared to Dec. '11 quote)
New York–London	\$ 894 (928)	\$ 894 (896)	\$ 894 (678)	\$ 894 (757)
Chicago–Paris	994 (1,026)	994 (993)	994 (922)	994 (742)
San Fran.–Frankfurt	1,032 (1,151)	1,032 (1,091)	1,032 (1,094)	1,032 (948)

12. **Delta reported a stunning \$1 billion profit for the 3rd Q** on revenues of \$9.9 billion (+1.0 percent). A year ago, the 3rd Q profit was \$549 million. Restructuring costs were down from last year while other special items, including fuel hedges, resulted in big gains. Atlantic passenger revenue was down 2 percent to \$1.8 billion.
13. **Black ink did not flow so freely at United**, reporting a profit of only \$6 million on revenue of \$9.9 billion (–2.6 percent). A year ago, 3rd Q profit was \$653 million. The big difference was a new agreement with the pilots union that will require \$454 million in lump payments and added pension contributions. Atlantic passenger revenue was down 8 percent to \$1.6 billion.
- Earlier in the month, **American reported a 3rd Q loss of \$238 million**; an operating surplus was overwhelmed by special charges for severance payouts and other bankruptcy restructuring costs.
14. **Lufthansa reported a 3rd Q profit of €645 million**, up 29.5 percent from last year, on revenue of €8.31 billion (+6.2 percent). The strong results put the Lufthansa Group into the black for the year by €474 million.
15. **Lufthansa will assign its fourth new Boeing 747-8 to the Los Angeles–Frankfurt route** beginning Dec. 10. The aircraft, a new, extended 388-seat version of the 747 is Boeing's answer to the 526-seat Airbus A380 jumbo. Lufthansa flies A380s from New York, Miami, Houston and San Francisco to Frankfurt. Lufthansa shares revenues on its U.S. routes with United.
16. **Air France will open daily service from Minneapolis-St. Paul to Charles de Gaulle** on May 21 and operate it through Sept. 1. Air France/KLM share revenues on their U.S. routes

with Delta, for which Minneapolis-St. Paul is a hub.

Delta said it would resume daily flights from JFK to Athens next May 17, following seasonal winter suspension. No non-stop service is scheduled between the two cities before then.

American will begin new service from Chicago O'Hare to Düsseldorf on April 11 and **from JFK to Dublin** on June 12, both to be operated in partnership with British Airways/Iberia.

TURKEY JOINS EURAIL, WORLDWIDE TOURISM GROWS

17. Tourism has proven to be one of the more resilient industries worldwide this

year, according to IPK International and the UNWTO. Worldwide, trips will total 6.8 billion in 2012, or 2.5 percent more than in 2011. Of these, more than 1 billion will travel "abroad," up 4.0 percent.

U.S. and European travel abroad will be up 3 and 2 percent respectively. Other regions are reporting considerably larger increases: South America, +12%; Africa, +9%; Asia and Oceania, +7%. "Never before (this year) have so many people traveled and never before have they had so much money at their disposal," said IPK CEO Rolf Freitag. The findings are based on assessments by 50 industry experts from 30 nations, and on data for 60 nations generated by the IPK's World Travel Monitor.

18. Turkey will be the 24th country to join the Eurail Global and Select passes as of

Jan. 1. The TCDD system will extend Eurail coverage more than 1,000 miles eastward from Edirne on the Greek border to Lake Van and the border with Iran.

Meanwhile, the French state railway, **SNCF, is withdrawing from the Select Pass,** although continuing with the basic Eurail Global Pass and the Regional Pass (for travel in two bordering countries). Select passes that include France will be sold through December and will be honored in 2013 on French trains.

Austria's **Westbahn high-speed service will be the first privately held rail company to join Eurail,** also as of Jan. 1. Westbahn, launched just a year ago, runs hourly trains between Vienna and Salzburg.

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