

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • JAN. 31, 2013

U.S. VISITS TO EUROPE UP IN 2012

1. **U.S. visits to Europe increased 3.9 percent in 2012 to 11,244,637**, according to the latest figures from the Dept. of Commerce. Most of the growth was in the first half, up 5.6 percent, compared to +2.3 percent in the second half. For December, U.S. traffic was up just 1.5 percent.

It was probably the strongest year for U.S. travel to Europe since the pre-financial meltdown peak in 2007. It doesn't look that way on the **Volume of Travel to Europe** chart (attached) because government counts for 2010 and earlier inadvertently inflated the number of U.S.-citizen departures by as much as 15 percent per month.

**NEXT ISSUE: Share of U.S. Market in 2012/
Overall Trans-Atlantic Traffic in January**

THE BURNING BATTERIES

2. **Dreamliners began their third week on the ground today** as U.S. and Japanese investigators continued to puzzle over lithium-battery systems that burned on two 787s. They have not found any problems with the design, manufacture or installation of the batteries or with circuitry that is supposed to forestall danger of fire, according to a *Wall Street Journal* report.

Boeing is continuing to build 787s, but will not deliver them before the National Transportation Safety Board, the U.S. investigating agency, issues its findings. The 787's first commercial trans-Atlantic flight, LOT's Flight 03 from Warsaw, landed in Chicago just as the Federal Aviation Administration issued its grounding order. That plane remains at O'Hare. LOT, which is counting on the 787 to help lift it to profitability, has returned the previous 767 aircraft to the route.

United is the only other trans-Atlantic carrier with 787s, and was planning to launch Dreamliner service from Houston to Amsterdam and London next month. British Airways was expecting to take delivery of its first 787s in May.

The 787 is the first major civilian aircraft grounded in the U.S. since 1979, when the FAA grounded 138 DC-10s after a crash at O'Hare killed 273 people. DC-10s

did not fly for 37 days; the NTSB investigation found that maintenance procedures and a weakness in the wing design were responsible for the crash. Those were addressed and DC-10s flew for many years, with some still in service today.

4th Q SURPRISE: -0.1 PERCENT GDP

3. **The U.S. economy actually shrank in the 4th Q, by 0.1 percent**, according to the first estimate issued by the Dept. of Commerce. That followed surprisingly strong 3.1-percent growth in the 3rd Q, and brought growth for all of 2012 to 2.2 percent (compared to 1.8 percent for all of 2011). Economists, who had expected 1-percent growth for the quarter, said a sharp drop in defense spending (an extraordinary -22.2 percent) and output lost to Hurricane Sandy contributed to the downturn. The first revision of the 4th Q estimate is due at the end of February.
4. Here are a few more U.S. economic negatives and positives: **Oil prices jumped, to \$98 per barrel. Gasoline is up as well, to \$3.42** per gallon of regular (the U.S. average). Both actually indicate expectations of economic growth.
Home sales dipped in December, but it was still a good year. Existing-home sales dropped 1.0 percent, compared to November, but were up 12.8 percent compared to December 2011. For all of 2012, 4.92 million existing homes were sold, a 9.2-percent increase, for the strongest performance since 2007. The median price in December was \$180,800, up 11.5 percent from a year earlier.
 Sales of new homes dropped 7.3 percent compared to November, but were also up for the full year, by an impressive 19.9 percent to 367,000. The median price in December was \$248,900, up 13.9 percent.
5. The stock markets soared in January with **the Dow approaching its all-time high of 14,165** (Oct. 9, 2007). The Dow opened today at 13,910.
6. **But consumer confidence continued to decline.** The Conference Board index fell to 58.6 in late January from a revised 66.7 in late December. Earlier, the Thomson Reuters/Univ. of Michigan index fell less sharply to 71.3 in early January from a revised 72.9 in early December. Both indexes have dropped since November when they were at 4½- and 5-year highs respectively.
 Concern about upcoming fiscal negotiations in Congress didn't hurt as much as the return this month of higher Social Security withholding on all paychecks, according to Lynn Franco of the Conference Board. A two-year reduction worth an average \$1,000 annually was allowed to expire as part of the fiscal cliff agreement.
7. **The dollar has slipped to €0.74**, a 13-month low vs. the euro. However, it has

moved in a relatively narrow 10-eurocent range through that period. See **The Dollar vs. The Euro** graph.

DELTA MADE MONEY, UNITED DIDN'T, ISTANBUL PLANS NEW AIRPORT

8. **The lowest fares for winter travel are up only 2 percent**, compared to Jan. 1 quotes, on the routes we watch. But, compared to a year ago, low fares for April and May are up from 6 percent (San Francisco-Frankfurt) to 18 percent (New York-London, Chicago-Paris).

Here are the low fares quoted this week on Travelocity for roundtrip, non-stop flights on major carriers, taxes and fees included.

travel dates:	Feb. 13-20 (compared to early-Jan. quote)	March 13-20 (compared to early-Jan. quote)	April 17-24 (compared to Jan. '12 quote)	May 15-22 (compared to Feb. '12 quote)
New York–London	\$844 (\$827)	\$844 (\$827)	\$899 (\$758)	\$899 (\$809)
Chicago–Paris	948 (927)	948 (927)	1,080 (916)	1,080 (1,126)
San Fran.–Frankfurt	1,060 (1,038)	1,060 (1,038)	1,222 (1,151)	1,222 (1,157)

9. **Eighty-one days before takeoff:** That's when you should book overseas flights from the U.S. to get the lowest fares, according to CheapAir.com. CheapAir sifted through 560 million airfares to reach this average. For domestic flights, the lowest fares were found 49 days in advance. CheapAir advises against booking too early, however; fares are usually higher. Also, some international fares dropped precipitously a day before departure, but most flights to Europe are filled well before that these days.
10. **U.S. carriers are again reporting gains in trans-Atlantic yields**, according to Airlines for America. Yield was up 2.7 percent in November at 14.3 cents per RPM, and up 3.0 percent in December at 13.4 cents, compared to a year earlier. That reversed four months of small declines (July-September). For all of 2012, trans-Atlantic yield was up 2.1 percent.
11. **Delta reported a \$7 million profit for the 4th Q and \$1 billion for the year.** (virtually all of which came in the 3rd Q). That compares to \$425 million for the quarter in 2012 and \$854 million for all of that year. Sandy cost \$100 million in both airline operations and loss of production at Delta's new refinery near Philadelphia, 4th Q special charges cost another \$185 million.
- Revenue for the quarter was \$8.6 billion (+2.4 percent) and for the full year, \$36.7 billion (+4.4 percent). Trans-Atlantic revenue was \$1.2 billion for the quarter, up only 0.6 percent; trans-Atlantic yield fell 6.0 percent for the quarter.

12. **United lost \$620 million in the 4th Q and \$723 million for all of 2012.** The losses were attributed to special charges—mostly due to the merger with Continental—totaling \$430 million for the quarter and \$1.3 billion for the year. Hurricane Sandy cost another \$140 million. Revenue was \$8.7 billion for the quarter (-2.5 percent) and \$37.2 billion for the year (+0.1 percent).

Those results are a big comedown from a year ago, when United lost \$138 million in the quarter but reported a profit of \$840 million for the year. United had pushed back many of the merger expenses to 2012 and experience costly problems in combining reservations systems.

Vice-Chairman Jim Compton said the big expenses of merging into the world's largest carrier are behind United: "We're now positioned to capitalize on solid operations and great customer service."

13. Our last issue included **American's report of a \$262 million profit for the quarter**, attributed to \$350 million in special items. For the year, American lost \$1.9 billion. Thus the three leading U.S. carriers lost a combined \$1.6 billion for the year.

US Airways earned \$37 million for the quarter and would have made another \$35 million were it not for Sandy. For the year, the airline reported a record \$637 million profit, up from just \$71 million a year ago, on revenue of \$13.8 billion (+5.9 percent).

14. **American unveiled its first new look and logo since the 1970s**, spurred by its Dreamliners on order. The composite-body 787 must be painted; American previously left brushed-aluminum exteriors unpainted. American chose silver mica for the body and added a more modern red-white-blue tail treatment.

Meanwhile, **discussions continued between American and US Airways**, with all signs pointing toward a merger agreement within weeks.

15. **Turkey is seeking bids to build one of the world's largest airports**, to handle 150 million passengers annually, northwest of Istanbul. That compares to Atatürk's 45 million (up 20 percent in 2012) and to Atlanta Hartsfield's world-leading 60 million. Dubai (57.6 million in 2012) is at work on a 160-million-passenger airport that could begin to open next year.

Operations at the new Istanbul airport would begin with the opening of the first stage, with a capacity of 90 million, in 2017. The proposed 30-square-mile site, which will require the filling of ancient coal mines, lies on the Black Sea coast more than 20 miles from Taksim square. The total estimated cost is \$5.6-\$8.7 billion.

Like Dubai and other countries in the region, Turkey wants to capitalize on its central location. Turkish Airlines has expanded rapidly and now flies to 216 cities. Only five carriers serve more: United, Delta, American, Air France/KLM and Lufthansa.

16. **AeroSvit, Ukraine's leading airline, grounded its 28 planes and sought protection from creditors in a Kiev court.** The carrier operated 80 international routes, including flights from New York, until this month, when the schedule was shrunk to just six routes.
17. **Brussels Airlines will launch service from Dulles to Brussels on June 18.** United already connects the U.S. and EU capitals; Brussels happens to be a subsidiary of Lufthansa, United's trans-Atlantic joint-venture partner. Brussels inaugurated service from JFK to Brussels last year.

BIRDS, DOGS AND EXPEDITED PROCESSING

18. **Flocks of birds that threaten aircraft could be scared off by new low-frequency alarms** that humans can't hear. Technology International of Richmond, Va., said its system would listen near runways for approaching flocks, then activate subwoofers that put out high-intensity, low-frequency sounds. If it continues to test well, the system might also be used to divert birds from wind turbines.
19. **They're taking the see-through scanners away.** After two years of outraged complaints, backscatter scanners that deliver naked images of passengers are being removed from U.S. airports by the Transportation Security Administration. Many people were also concerned about the higher level of radiation the machines generated. Rapsican, the maker, said it could not come up with "more generic" imaging by the TSA's June 1 deadline; its contract was terminated.
20. **TSA screening may be a pain in the neck,** but the number of attempted attacks originating at a U.S. airport since 9/11 is hard to argue with: Zero. John S. Pistole, the TSA administrator said all four known attempts—all involving bombs—originated outside the U.S.: The "shoe bomber" in Paris; the "underwear bomber" in Amsterdam; and a cargo bomb and a bomb provided to an undercover agent, both in Yemen.
Speaking in Charlotte, Pistole said **non-metallic bombs are the No. 1 threat**, and that dogs, scanners, baggage searches and body frisks are needed to provide multi layers of security in processing 650 million passengers each year.
He also said that TSA has expedited processing for those under 12 years and over 75, and for flight crews and active military. That means one doesn't have to remove belts, coats, and shoes, or remove computers from cases. Other travelers can benefit from expedited screening if they are invited by an airline to join the Pre Check program (also designated as TSA Pre✓™) or sign up for the Border Protection Global Entry program (\$100 for five years).

So far, **Pre Check is available through five airlines** (American, Delta, United,

US Airways and Alaska) at 35 airports. Nearly 3 million passengers have used it. Also, a “Managed Inclusion” program is being tested at the Indianapolis and Tampa airports. Passengers who submit to questions from a TSA officer (and to sniffs by a TSA dog) get expedited screening.

21. **More new boats for Europe’s rivers:** AmaWaterways will introduce two this year (the 164-passenger *AmaPrima* on the Rhine and Danube, and the 106-passenger *AmaVida* on Portugal’s Douro), and another two 164-passenger ships in 2014.

Tauck will add two new ships in 2014—each carrying no more than 118 passengers—to its current fleet of four ships.

These expansions pale compared to Viking’s planned addition, announced earlier, of 18 boats, carrying 190 passengers each, for European rivers between now and the end of 2014. Viking’s current fleet totals 24.

22. **The Visit Europe Media Exchange is scheduled for November.** VEMEX will open in **Toronto** on Friday, Nov. 15, at the Toronto Board of Trade, then go to **New York** on Monday, Nov. 18, at the Harvard Club, and to **San Francisco** on Wednesday, Nov. 20, at the Sheraton Fisherman’s Wharf.

The 2013 website—**VisitEuropeMediaExchange.com**—will go up in March.

#

Neil S. Martin

TransAtlanticReport.com

Donald N. Martin & Company

Email: TransAtlantic@dnmartinco.com

646/ 250-8704

VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS DECEMBER 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
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	1,126,098	+ 7.6
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	1,138,691	+ 1.8
October	805,403	872,409	897,683	941,909	980,856	1,038,804	916,328	920,191	831,219	844,142	852,344	+ 1.0
November	745,117	785,206	821,219	811,118	816,098	856,815	765,079	748,994	640,639	644,948	646,447	+ 0.2
December	830,737	888,149	900,717	902,504	913,995	954,698	888,886	845,496	688,213	729,039	739,858	+ 1.5
Final **	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	11,244,637	+ 3.9
	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	11,244,637	

** 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.

THE DOLLAR VS. THE EURO 2013

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, Latvia is the next working to join the euro zone, in January 2014.

