



Trans-Atlantic

July 23, 2010

FROM THE EUROPEAN TRAVEL COMMISSION

- **Exhibitor early-bird discounts at VEMEX** • **Leisure-visitor survey offered** See Nos. 24, 27 & 28
- **Visit Europe magazine to target Top 20 markets in Wall Street Journal**

Overall trans-Atlantic traffic continued to rise in June, with leading carriers reporting an average 4.1-percent increase. With average capacity increasing only 0.8 percent, the average load factor was high at 88.3. British Airways was the only carrier for which traffic declined, but by a bruising 8.9 percent, due to cabin-crew job actions. See the **Trans-Atlantic Traffic Trends** chart.

U.S. traffic to Europe dropped sharply in April, with visits down 19 percent, according to the latest numbers from the U.S. Dept. of Commerce. A double-digit decline was projected; April was the month of the Eyjafjallajokull eruption. But this was steeper than expected—the sharpest one-month decline since August 2002.

With the April numbers in, **the off-peak season (October-April) ended with 5.34 million U.S. visits to Europe, down 4.5 percent** from '08-'09. The outlook for the summer and the remainder of the year is for slight growth, at best. See the **Volume of U.S. Travel** table and Nos. 7 & 8 below.

High airfares and this month's slide in the value of the dollar aren't helping the comeback in U.S. travel to Europe. See Nos. 6 & 10 below.

The British Airways-American Airlines 'joint venture' won approval from the European Commission and the U.S. Dept. of Transportation. Beginning this fall, the Oneworld partners will operate as a single carrier across the Atlantic. See Nos. 14, 15 & 16 below.

Meanwhile, the U.S. economic recovery continues to sputter, thanks to the traumatized housing market, low rate of job creation and waning consumer enthusiasm. See immediately below.

IT'S AN UP-AND-DOWN RECOVERY

1. The U.S. government again lowered its estimate of growth in the 1st Q, to 2.7 percent. That's down from the original 3.2 percent estimate and well below the revised 5.6 percent for the 4th Q of 2009. It's unlikely that the 2nd Q will show improvement (initial estimate due next week). Federal Reserve chief Ben S. Bernanke told Congress Wednesday that "the economic outlook remains unusually uncertain."



You & Europe.

2. Big problems continue to be big problems: Foreclosures on homes were projected to reach one million for the year (on top of 900,000 in 2009), with existing-home sales down 5.1 percent and new-home sales collapsing in May to the lowest level on record. The drop in sales was attributed to the April 30 end of a federal tax-credit program that had boosted transactions for most of the past 12 months. While the median existing-home price was up 1 percent from a year ago, the median new-home price was down 9.6 percent.
3. Jobs declined in June for the first time this year, by 125,000 (the end of Census work accounted for the loss of 225,000 temporary jobs). Private-sector jobs edged up by 83,000. Unemployment declined slightly to 9.5 percent (because the number of people looking for work dropped). Overall, the number of jobs is still 7.9 million below December 2007 levels.
4. Consumer confidence, on the rise through the spring, dropped sharply. The Conference Board index slid in late June to 52.9 from a revised 62.7 in May. The Reuters/ Univ. of Michigan index dropped similarly in early July to 66.5 from 76 in June. Weak retail sales confirmed the consumer's mood.
5. Bernanke said that financial conditions, including Europe's government-debt crisis, are "less supportive of economic growth." He said the Fed would continue to keep base interest rates near zero, and made no plea for new federal stimulus spending. The latter appears to be off the agenda for both the White House and Congress in the face of record federal deficits.
6. The dollar slid, to €0.77, or 7.8 percent below its four-year high on June 8 (interbank rates). Then, late this week, the dollar picked up a full eurocent. See The Dollar vs. The Euro graph.

2009: TOO FEW BUSINESS TRAVELERS... 2010: TOO FEW SEATS...

7. Off-peak U.S. traffic to Europe dropped for the second consecutive year. Even if April had seen 5 percent growth, instead of a volcanic 19-percent loss, the total would be less than the 5.59 million U.S. visits of '08-'09, and *that* was well below '07-'08. Over the past decade, off-peak results have not come close to the record 6.34 million U.S. visits of 2000.
8. As for the peak season (May-Sept.), our forecast is for only slight growth at best. Through June, capacity on trans-Atlantic carriers was below even last year's levels (when seats were slashed nearly 7 percent). At the same time, fares are considerably higher than a year ago, and the economic news is not encouraging discretionary spending. But we also remember that last summer ended up much better than we projected. See the Peak & Off-Peak graph.
9. Highlights of the U.S. In-Flight Survey for 2009 have been posted by the Office of Travel and Tourism Industries, Dept. of Commerce. They include:
 - An estimate of total U.S. departures to Europe of 10,635,000, which would be 11.2 percent fewer than the 11,979,000 reported in the office's International Air Travel Statistics. The difference of 1,344,000 is the number of U.S. residents the office estimates traveled onward through European airports without spending a full night in Europe. That category's share of

total U.S-Europe traffic has grown from just 5 percent eight years ago.

- Confirmation that plummeting business travel accounted for most of the decline in U.S. traffic to Europe traffic in 2009. In the category of persons citing Business or Convention as a reason for their trip, visits were down 20.3 percent. In the category of those citing Leisure or Visiting Friends & Relatives as a reason for their trip, the decline was only 2.6 percent.
- Share of U.S. visitors by country: Britain, 25.6% (or 2.72 million); France, 17.9% (1.90 million); Italy, 17.5% (1.86 million); Germany, 14.6% (1.55 million); Spain, 10.0% (1.14 million). In the case of Britain, the *In-Flight Survey* number is close to VisitBritain’s estimate of 2.88 million U.S. arrivals. In the case of France, it is far less than Atout France’s estimate of 3.2 million.
- Tourism spending by U.S. visitors to Europe (airfare excluded) totaled \$20.72 billion, which was 16 percent less than in 2008, although departures declined only 5 percent. U.S. visitor airfares paid to European carriers totaled \$11.62 billion, a decline of 24 percent.
Put together, total travel revenue to Europe from the U.S. market dropped 19 percent, or \$7.85 billion in 2009. If accurate, the revenue loss is far greater than previously estimated based on other data. Some individual countries fared worse: France, -29%; Britain, -26 percent; Germany, -26%; the Netherlands, -24%; Italy, -13%.

There is much more at the Office of Travel and Tourism Industries website: www.Tinet.ita.doc.gov. And for the full the results of a special run of the *In-Flight Survey* data applying specifically to U.S. leisure travelers to Europe, see No. 24 below.

A LATE-SUMMER BREAK IN FARES?

10. While still higher than last year, trans-Atlantic airfares appear to be softening for late August and September departures on some routes. Here are low, mid-week, nonstop fares on major carriers, as quoted on Travelocity. All taxes and surcharges included.

travel dates:	Aug. 18-25 (mid-June quote)	Aug. 18-25 (late-July quote)	Sept. 15-22 (late-July quote)	Sept. 16-23 2009 (mid-July '09 quote)
New York-London	\$ 916	\$ 941	\$ 739	\$ 558
Chicago-Paris	1,288	1,162	987	1,375
Los Angeles-Frankfurt	1,554	1,392	1,271	1,094

11. Higher fares and load factors generated a higher average trans-Atlantic yield—12.65 cents per RPM—reported for May by U.S. carriers. In May 2009, the average was only 9.86 cents, according to the Air Transport Association. These yields have been increasing each month since December.

12. Worldwide, airlines could turn a collective \$2.5 billion profit this year, after suffering \$9.4 billion in losses in 2009. That's according to the International Air Transport Association, which had projected a \$2.8 billion loss for the year only three months previously. One explanation for the turnaround is that premium-class traffic is coming back more quickly than had been projected. The only region to lag will be Europe, IATA said, thanks to the volcano disruption, to labor strife and to the continent's slower rate of economic recovery.
13. Ancillary fees may be adding as much as fare increases to airline earnings: Baggage fees alone generated \$769 million for U.S. carriers just in the 1st Q, according to *USA Today*. Fees for changing reservations, flying pets and other services, generated another \$1.1 billion. Not included were charges for food and drink.

THE NEW TRANS-ATLANTIC TRIOPOLY

14. The announcement of final U.S. approval of the Oneworld alliance completes the reorganization of trans-Atlantic air service into a triopoly. Beginning this fall, British Airways, American, Iberia, Finnair and Royal Jordanian will be allowed to act as a single airline in setting fares and schedules, and in pooling trans-Atlantic revenues. The European Commission had approved the deal last week, as well as the corporate merger of BA and Iberia. BA and American will have to give up only four pairs of slots at Heathrow, where Oneworld will dominate trans-Atlantic service.
15. BA and American have been trying to hook up since 1996, but were previously denied by regulators. The first trans-Atlantic joint venture was that of Northwest and KLM, approved in 1997, with the KLM brand virtually disappearing from the American market. Consolidation began in earnest in 2008 with the granting of antitrust immunity to the huge Sky Team combination of Delta/Northwest and Air France/KLM (Alitalia has also joined, as of this month). The Star Alliance (United, Continental, Lufthansa/Swiss/Austrian, SAS, LOT and TAP) won its anti-trust immunity in 2009.

Of the 15 leading carriers from the U.S. to Europe (based on 2009 summer departures), only US Airways, Virgin Atlantic and Aer Lingus are not in one of the three joint-venture alliances. Supporters say competition is not necessarily reduced: The three alliances compete on significant routes and are free to add to that list under the Open Skies agreement. But why would they?

16. BA needed the good news, because its quarterly earnings report will not be a positive one, thanks to the volcano and 22 days of cabin-crew strikes. BA says it has lost £150 million to the strike, and its trans-Atlantic load factor lagged nearly 10 points behind the average for its leading rivals in May and June.
17. American carriers reported profits for the 2nd Q, in most cases, the first since 2007. Delta reported its first post-merger quarterly profit: \$467 million on \$8.17 billion in revenue (the latter up 17 percent). United scored \$273 million on \$5.16 billion in revenue, its best in 11 years. US Airways reported a \$279 million profit on \$3.17 billion revenue.
- Continental earned \$233 million on revenue of \$3.71 billion. American reported a loss, but of only \$10.7 million compared to -\$390 million last year; revenue was \$5.7 billion. American

says that Delta and United were able to shed labor costs in bankruptcy; American and Continental were the two majors that avoided bankruptcy reorganization earlier in the decade.

18. The United-Continental merger advanced, with the two pilot union groups and the two airlines' management reaching agreement on how to proceed with the transition. James L. Oberstar (D-Minn.), chairman of the House Transportation Committee, and others oppose the merger, which would bring the number of U.S. "legacy" carriers down to four. But the final decision lies with the Dept. of Transportation, which earlier approved the Delta-Northwest mega-combine. Down the road, some say, is an American-US Airways merger.
19. Boeing flew a test 787 Dreamliner from Seattle to the Farnborough Air Show near London and opened it up to journalists. Even though Boeing said the first 787 delivery may be pushed into 2011 after all, the mood was upbeat; Boeing and Airbus booked airline orders for dozens of A320s, B777s and B737s.
 Just a month earlier, the well-moneyed Emirates signed up for \$11.5 billion worth of Airbus's A380 super jumbos, the largest civil-aviation buy ever.
20. The EU is appealing major findings of a World Trade Organization panel that European governments have unfairly subsidized Airbus in its competition with Boeing. The Europeans also want to hear soon from another WTO panel studying the EU complaint that military contracts from the U.S. government constitute subsidies of Boeing's commercial aircraft development.

U.S. PASSPORTS COST MORE, CANADA REVISES STRATEGY

21. As of July 13, the U.S. Dept. of State is charging \$135 for a first-time adult passport, an increase of \$35. Renewals will cost \$110, also up \$35. Passport cards (not good for air travel) go from \$45 to \$55. The increase came after an "exhaustive" assessment of the actual costs of providing and managing passports, and of maintaining overseas consular services.
22. The Canadian Tourism Commission will close many "full-service" offices, lay off 25 percent of its full-time staff, and cease consumer advertising and trade promotion in the U.S., according to *The Globe and Mail*. Chief Executive Michele McKenzie said the CTC has run through \$40 million in stimulus funds and \$26 million for Olympics promotion, and will see its government budget reduced 6.7 percent next year to \$70.7 million.
 The goal is to free up \$16 million for promotion in "high-yield" overseas markets over the next two years. In 2009, out of Canada's Top 10 markets, only China delivered increased visitors. Visitors from the U.S. have been in relentless decline for a decade (the U.S. passport requirement has deterred "same-day" motorists in particular). The commission will now leave promotion in the U.S., still Canada's biggest market by far, to the provinces and private industry, to save money and avoid "duplication."
23. Viking River Cruises will build eight new ships for European waters, the first launching in 2011, and increase its total fleet to 26 ships by 2013. Competing Avalon Waterways (part of Globus) and Uniworld River Cruises will each add a new ship in 2011.

24. The latest edition of the **U.S. Leisure Travelers to Europe** survey is available. This is a special run produced from the U.S. Dept. of Commerce's annual *In-Flight Survey* of just those U.S. travelers who cited "leisure" as at least one reason for their trip. Total sample, 7,561; with 32 data tables. For a copy, contact Donald N. Martin & Company. Price: \$705. See No. 9 above.

FROM ETC: VEMEX discount deadline, Visit Europe to Top 20 markets

25. Rebuilding: American arrivals to hotels in Portugal are up 17.4 percent for the 1st Q; overnights are up 10.8 percent. Hungary saw U.S. overnights rise 6 percent Jan.-May, and 17 percent in May alone.
26. Romania will introduce new visual branding for tourism at the World Expo in Shanghai on July 29, the expo's "Day of Romania." The new look will be introduced by Elena Udrea, minister of regional development and tourism. She will be joined by Teodor Baconchi, the minister of foreign affairs.
27. There are seven days left for exhibitors to qualify for early-signup discount rates for the **Visit Europe Media Exchange**. The shows, designed to maximize PR at minimum cost, are scheduled for Hollywood, FL (Monday, Nov. 1; the first time in Florida), New York (Wednesday, Nov. 3) and Toronto (Friday, Nov. 5). Prices through July 30: One city, \$1,500; two cities, \$2,800; all three, \$4,000. The Media Exchange is presented by the 39-nation European Travel Commission and produced by Donald N. Martin & Company with Lois Gerber Tourism Public Relations. Details and registration at VisitEuropeMediaExchange.com.
28. Visit Europe magazine comes out Saturday, Oct. 9, via *The Wall Street Journal* in the Top 20 U.S. markets for travel to Europe. Coverage will focus on great off-peak vacation values with additional coverage aimed at business travelers. Total circulation will be 817,000. The magazine is presented by ETC, and the publisher is Donald N. Martin & Company. Go to DNMartinco.com for details (including target cities) and rates.

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It is produced by
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Trans-Atlantic Traffic Trends, June '10

Compared to previous year, +/- percent

RPMS	July '09	Aug. '09	Sept. '09	Oct. '09	Nov. '09	Dec. '09	Jan. '10	Feb. '10	Mar. '10	Apr. '10	May '10	June '10	ASMs (June '10)	load factor
Delta (Sky)	- 4.5	- 2.5	- 7.7	- 9.1	- 16.2	- 16.1	- 12.9	- 7.0	- 3.2	- 17.4	- 2.7	+ 3.1	+ 0.7	88.9
Air France/ KLM (Sky)	- 4.3	- 4.9	- 3.9	- 4.4	- 3.3	- 5.2	- 0.5	+ 0.2	+ 2.2	- 15.9	+ 5.0	+ 1.9	- 1.8	90.0
United (Star)	+ 1.9	+ 5.3	- 3.7	- 1.0	+ 2.6	+ 5.2	+ 6.9	+ 3.8	+ 7.9	- 13.2	+ 8.6	+ 8.4	+ 5.6	89.4
Lufthansa/ Swiss (Star) *	- 2.3	+ 2.5	+ 0.4	+ 4.9	+ 1.8	+ 6.8	+ 7.2	+ 2.6	+12.9	- 0.6	+ 16.2	+ 12.7	+ 8.1	90.1
Continental (Star)	- 8.4	- 6.2	- 2.9	- 6.3	- 3.6	+ 5.8	+ 13.2	+ 4.9	+ 6.3	- 13.6	+ 0.0	+ 6.7	+ 0.0	88.8
British Airways (One)	+ 3.8	+ 1.8	+ 4.2	+ 2.3	+ 1.5	- 4.3	- 6.9	+ 5.4	- 2.9	- 17.8	- 7.0	- 8.9	- 5.8	81.4
American (One)	- 0.1	- 1.4	- 4.9	- 1.5	- 5.3	- 4.0	- 1.4	- 3.4	+ 2.5	- 13.9	+ 3.2	+ 5.1	- 1.4	89.6
Leading-carriers average	-2.0	-0.8	-2.6	-2.2	-3.2	-1.7	+0.8	+0.9	+3.7	-13.2	+3.3	+4.1	+0.8	88.3
All carriers (Air Transport Association + Association of European Airlines)	-3.1	-1.5	-3.7	-3.1	-4.6	-3.8	-1.2	+0.0	+3.6	-12.9	+1.7			
Actual U.S.-citizen departures from U.S. Dept. of Commerce	+3.7	+7.3	-1.4	+0.4	-2.1	-4.9	+0.1	-5.9	+0.6	-19.0	est. -1.0	est. +1.0		

* Lufthansa percentage increases from September '09 on are inflated somewhat by inclusion of Austrian Airlines trans-Atlantic traffic and capacity.

Note: Figures include traffic (Revenue-Passenger Miles) generated on both sides of the ocean. European-carrier figures include traffic between Europe, and Canada and Latin America. U.S.-carrier figures include trans-Atlantic traffic beyond Europe. Despite these caveats, they remain our best immediate trend-indicators. Capacity is measured in Available-Seat Miles. U.S.-citizen departures are from I-92 International Air Travel Statistics issued by the U.S. Department of Commerce, Travel and Tourism Industries, and appear two months behind airline reports.



VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS

APRIL 2010

From monthly air-travel reports issued by the U.S. Department 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. Travel by airline crews and military personnel is excluded.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	% change from 2009	
January	674,469	759,884	590,697	671,177	713,703	748,042	734,184	739,893	753,241	668,221	664,807	- 0.5	
February	676,711	728,850	598,234	591,131	655,434	649,274	638,319	626,434	668,385	568,968	544,768	- 4.3	
March	1,073,270	1,111,396	910,848	808,794	982,275	992,917	1,025,478	1,041,834	982,679	847,090	852,371	+ 0.6	
April	993,020	1,045,013	769,269	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	-19.0	
May	1,316,004	1,316,435	1,080,818	979,655	1,229,897	1,280,025	1,368,704	1,386,300	1,318,802	1,241,375	3,024,558	2,823,364	- 6.7
June	1,530,899	1,592,615	1,305,355	1,205,280	1,432,810	1,463,636	1,585,248	1,607,434	1,521,619	1,397,017	1,383,704	1,383,704	
July	1,424,628	1,382,443	1,012,332	1,209,944	1,293,447	1,383,904	1,450,854	1,467,596	1,334,096	1,204,945	1,122,497	1,122,497	
August	1,204,319	1,216,810	867,279	1,049,258	1,106,643	1,096,385	1,159,246	1,235,953	1,180,564	1,163,697	1,163,697	1,163,697	
September	1,237,404	836,706	980,829	1,055,536	1,169,280	1,208,755	1,245,357	1,297,046	916,328	920,191	920,191	920,191	
October	979,608	640,815	805,403	872,409	897,683	941,909	980,856	1,038,804	765,079	748,994	748,994	748,994	
November	845,525	611,204	745,117	785,206	821,219	811,118	816,098	856,815	888,886	845,496	845,496	845,496	
December	867,476	649,190	830,737	888,149	900,717	902,504	913,995	954,698	12,420,662	11,929,977	11,929,977	11,929,977	
Final *	13,121,674	12,137,831	10,677,881	10,992,891	12,243,834	12,552,629	12,995,893	13,329,777	12,505,627	11,979,018	11,979,018	11,979,018	

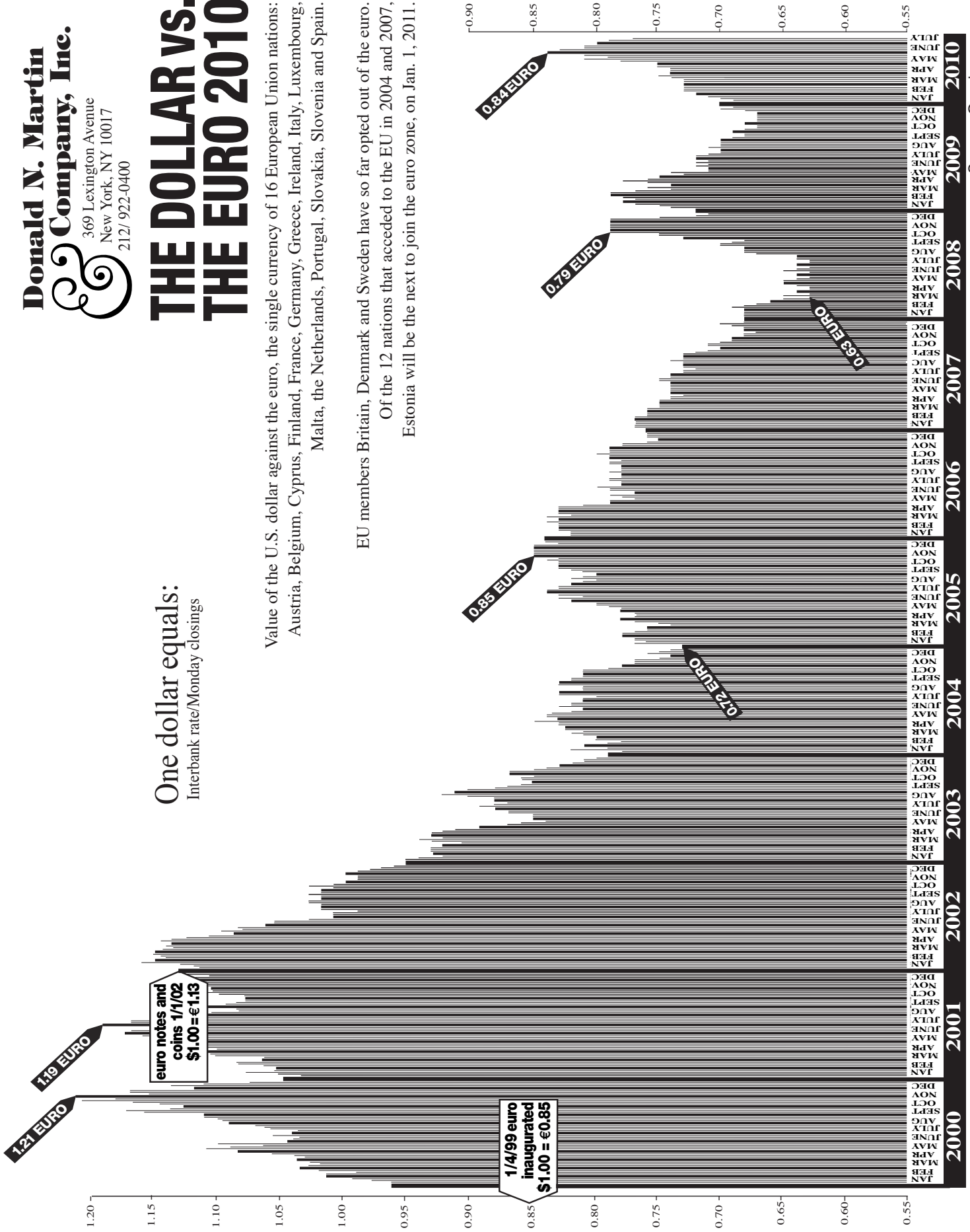
* Final totals adjusted upward by the U.S. Department of Commerce, Travel and Tourism Industries, in annual report as late filings are received from carriers.

THE DOLLAR VS. THE EURO 2010

One dollar equals:
Interbank rate/Monday closings

Value of the U.S. dollar against the euro, the single currency of 16 European Union nations: Austria, Belgium, Cyprus, 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, Estonia will be the next to join the euro zone, on Jan. 1, 2011.



U.S. TRAVEL TO EUROPE, PEAK & OFF-PEAK

Millions of U.S.-citizen departures.

