



USA Insights Report

August 2009

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1. Key Insights for August

- A report by Expedia on its customer booking patterns has stated that airfares to London for summer 2009 are on average 23% cheaper than a year ago. In addition, London was highlighted as the destination with the second biggest fall in hotel rates for the season, with prices falling -25% compared with summer 2008.
- A survey conducted by STA Travel, found that young people are largely paying for their own travel and planning multiple trips for the rest of 2009.
- Fewer Americans took cruises in 2008 than 2007, according to new industry data, showing that cruising's core constituency may be weakening despite continued growth in the pastime worldwide.
- A new survey finds that the United States is in the throes of a serious 'vacation deficit.' Many Americans claimed yet to take a vacation this year, and some are not planning to take one at all, despite the high value placed on getting away with family and friends.
- US Corporate travel is expected to decline 15% this year, according to a new report from PhoCusWright. In contrast, the total U.S. travel market is projected to decline only 11% in 2009.
- Cisco Systems has slashed its annual travel budget by two-thirds, from \$750m to \$240m by using video conferencing technology to replace air travel and hotel bills for its workforce. Likewise, Hewlett-Packard says it sliced 30% of its travel expenses from 2007 to 2008.
- Employers cut 247,000 jobs in July, the fewest in a year, and the unemployment rate dipped to 9.4%, its first decline in 15 months.
- Consumer confidence fell more than expected in July, recording its second consecutive decline as sentiment remained hampered by a difficult job market.
- The pound ended July 2009 at 1.64 against the US dollar, -18% cheaper than a year ago.
- The US Department of Commerce reported that US citizens made 940,000 outbound trips (by air) to Europe in April 2009, with Jan-April 2009 down -10% compared to the same four months in 2008.
- In the short-term, Baby Boomers are the fastest growing population group in the US. According to the US Department of Health and Human Services, from 2000 to 2010 the number of Americans 55 to 64 years old will grow by 47% (during the same 10-year period, the US population overall is expected to grow by about 9%).
- News Corp will soon begin charging for news content online. In addition, the Financial Times is to introduce a full "pay-per-view" model for accessing online articles by next summer and is reviewing whether any content on FT.com will remain free to access.

Introduction

The beginning of August has seen some positive economic news lift spirits somewhat. After increases in consumer confidence in late spring and early summer, two months of bad unemployment data made consumer spending plummet again and the recession appear as though it would drag on. However, the overall unemployment level dipped slightly in July, which has been interpreted by some as a clear sign of recovery, and should assist consumer confidence, and therefore propensity to travel.

VisitBritain's US trade team also attended two events in July that gave us key insights into the business travel market. Feedback from the Trailblazers show (an incentive show that takes place each year in Toronto) was that although the incentive market was facing a very uncertain future, there were pockets of resilience. Whilst the pharmaceutical industry has seen a significant amount of cuts in volume of incentives, many food production companies (especially those with budget offerings) are performing well in the current climate and maintaining the volume of incentives. A second show, Meeting Planners International (held in Salt Lake City) echoed previous research that the association market is holding up. The overall feedback was that although association events may have seen a slight downturn in sponsorship and attendance, the long lead times are ensuring the sector remains buoyant.

2. US Travel News

Expedia's Travel Trend Watch highlights London's newfound value (Source: Expedia)

A report by Expedia on its customer booking patterns has stated that airfares to London for summer 2009 are on average 23% cheaper than a year ago. In addition, London was highlighted as the destination with the second biggest fall in hotel rates for the season, with prices falling -25% compared with summer 2008. Furthermore, the report stated that 89% of Expedia customers polled are planning to take at least one overnight leisure trip this summer, holding steady with last year's levels. Also, 64% polled plan to spend the same amount or more on summer travel this year, up from 62% who reported the same last year.

USTOA urges Americans to travel overseas (Source: USTOA)

The U.S. Tour Operators Association is calling on Americans to travel overseas as individual ambassadors of goodwill in light of a new Pew Center Poll indicating that the U.S. image abroad has greatly improved, reflecting global confidence in President Obama.

U.K. moves forward with hike in air passenger tax (Source: Various)

Under new APD tax rules, the UK government will introduce a four-tier banding system, with the tax amount based on the distance between London and the destination's capital city. All US-UK flights fall in Band B because Washington is 2,000 to 4,000 miles from London. U.S. travellers will pay an extra £5 per economy ticket (from £40 to £45), starting Nov. 1. Premium passengers will see the tax rise from £80 to £90. The tax for U.S. economy and premium travellers will rise to £60 and £120 per ticket, respectively, in November 2010.

STA Survey shows resilience of youth market (Source: STA Travel)

A survey conducted by STA Travel found that young people are paying for their own travel and planning multiple trips for the rest of 2009. Results showed that 92% percent of those surveyed are planning to travel in 2009, with 37% planning two trips and 34% planning at least three trips before the end of the year. When it comes to paying for their trip, not all young travellers expect their family to foot the bill. Some 68% of respondents said they are paying for their trip with personal cash and savings. In addition, 42% of respondents reported having plans to travel internationally for either leisure or work and study abroad programs in 2009. Among those respondents who gave specific destinations, London and Paris were among the most popular, with many destinations in Western Europe holding strong with young travellers.

US cruise market dips (Source: TravelMole)

Fewer Americans took cruises in 2008 than 2007, according to industry data, showing that cruising's core constituency may be weakening despite continued growth in the pastime worldwide. American passenger traffic increased each of the previous few years, though by shrinking percentages, and finally turned negative in 2008. About 9.3m passengers took cruises originating in the U.S. in 2008, a 1.7% decline.

Are Americans suffering from a vacation deficit? (Source: IPSOS)

A new survey finds that the United States is in the throes of a serious 'vacation deficit.' According to the findings, many Americans have yet to take a vacation this year, and some are not planning to take one at all, despite the high value placed on getting away with family and friends. The Access America Vacation Confidence Index found that while a large majority of respondents (67%) believe that vacations are very important or important - one in four (23%) of those who place a premium on such travel are not planning to take a trip this year.

US Airlines beginning to use Twitter to offload seats (Source: E-tid)

JetBlue and United amongst others are offering their Twitter followers first dibs on some discounted fares to quickly connect with customers and fill seats on flights that might otherwise take off less than full. Like the

e-mails that many airlines began to send out in the 1990s, tweets are presenting a new, faster way to promote sales. And in fitting with this latest mode of instant communication, travellers have to decide quickly whether to fly.

'Staycation' enters the dictionary

Staycations are so mainstream they're now in the dictionary. The word "staycation" was one of about 100 new words added to the latest edition of the Merriam-Webster's Collegiate Dictionary. The dictionary defines a staycation as "a vacation spent at home or nearby."

Airline News- UK and Competitor Routes

ATA quantifies falling passenger revenue (Source: ATA)

The Air Transport Association reports that passenger revenue for U.S. airlines fell 26% in the month of June compared to a year earlier, with the number of people travelling off about 6.5%. The price decline surpassed the 2001 fall from recession and terrorist attacks, the airline industry association said. The average price per mile across the Atlantic fell 25.2%, Latin America prices were down 21.8% and Pacific passenger "yield" was down 25.5%. To fill seats, airlines had to slash prices. Even though they trimmed capacity this year, they still had too many seats.

Star Alliance gains expanded antitrust immunity (Source: ASTA)

The Transportation Department has approved the Star Alliance's request for expanded antitrust immunity that would bring Continental into the group as part of a four-carrier joint venture with Air Canada, Lufthansa and United. It permits the carriers to agree on fares, capacity and scheduling, coordinate marketing activities with respect to agents, wholesalers and corporations and pool revenue.

United to cut international capacity (Source: TravelMole)

United Airlines is to reduce international capacity in the last four months of the year. The 7% cut is being made "in an effort to better match supply with demand".

Corporate Travel

U.S. business travel down 15% this year (Source: PhoCusWright)

Corporate travel is expected to decline 15% this year, according to a new report from PhoCusWright. In contrast, the total U.S. travel market is projected to decline only 11% in 2009, dipping below 2006 levels, according to PhoCusWright's "U.S. Corporate Travel Distribution." report. Historically, corporate travel has comprised about 40% of the total U.S. travel market, but that share is expected to shrink to 35% in 2010, the report also said.

Are some destinations too 'fun' for a serious business meeting? (Source: ASTA)

Travel-industry lobbyists say government policies have essentially resulted in a blacklist of some destinations, such as Las Vegas, and Orlando. Employees at some big agencies, like the U.S. Department of Agriculture, are being encouraged to host meetings in more conservative viewed places such as St. Louis, Milwaukee or Denver.

Video conferencing prompts Silicon Valley companies to cut travel plans (Source: various)

Cisco Systems has slashed its annual travel budget by two-thirds, from \$750m to \$240m by using video conferencing technology to replace air travel and hotel bills for its vast workforce. Cisco, which plans to limit its travel budget to \$350m a year even after economy improves, has set up 530 video conference rooms for its 66,000 employees across the globe. The San Jose-based networking giant says it has held more than

350,000 meetings since the fall of 2006, 68,000 of which were substitutes for travel. Likewise, Hewlett-Packard says it sliced 30% of its travel expenses from 2007 to 2008.

Competitor Travel News

Turkey sees upsurge in US visitors in 2009 (Source: TravelMole)

For the period of January-April 2009, Turkey welcomed 106,903 American tourists; during the same period in 2008, 104,374 Americans visited Turkey, a 2.42% increase. In Spring 2009 the destination launched a new, "Unlimited Turkey," campaign.

Amsterdam gets new slogan in US (Source: TravelMole)

The Netherlands Board of Tourism and Conventions unveiled its new slogan that is not necessarily aimed at the GLBT market. Tourism officials say "Everyone's Gay in Amsterdam" is targeted at all segments of the market. The new print campaign will appear in Here Media's Out and The Advocate magazines' August issues. The multi-platform campaign with Here Media will include digital content and custom webisodes highlighting Amsterdam on OutTraveler.com, a half-hour travel special on here! Networks featuring Amsterdam, and a series of events co-hosted by the NBTC and Here Media in New York, San Francisco and Los Angeles.

Switzerland sees downturn in US visitors, focuses on niche markets (Source: Swissinfo.ch)

The number of Americans visiting Switzerland – estimated at about 1m per year- dropped by 15% from January to May this year, according to Switzerland Tourism. The tourism organisation highlighted corporate travel, and most notably the incentive market as worst affected. The Swiss Tourist Board is placing increasing focus on niche markets, notably religious groups. In another move aimed at increasing travel from the US, Switzerland Tourism began its "typically Swiss hotels" initiative earlier this year. The move apparently stemmed from requests by American tourists looking for recommendations on places to stay in Switzerland that offered European charm and Swiss authenticity. Switzerland Tourism joined forces with the Swiss Hotel Association to identify hotels that fulfill various criteria including personalised service, architecture that has a connection to the region, and authentic Swiss foods and wines.

Transatlantic Air Fare Price Watch

In the complicated world of airline pricing it can be difficult to accurately measure trends across transatlantic air fares. The below table is an attempt to do this, using one of the many price comparison sites that search a number of airlines for a particular route for the best fares.

Route	Approx Lead Time*	Actual Dates of Travel	Lowest Price
NY to London return	1 Month	10/9/2009-17/9/2009	\$626
NY to London return	3 Month	5/11/2009-12/10/2009	\$701
NY to Paris return	1 Month	10/9/2009-17/9/2009	\$701
NY to Paris return	3 Month	5/11/2009-12/10/2009	\$663
NY to Rome return	1 Month	10/9/2009-17/9/2009	\$675
NY to Rome return	3 Month	5/11/2009-12/10/2009	\$593
Chi to Lon return	1 Month	10/9/2009-17/9/2009	\$870
Chi to Lon return	3 Month	5/11/2009-12/10/2009	\$791

Chi to Paris return	1 Month	10/9/2009-17/9/2009	\$797
Chi to Paris return	3 Month	5/11/2009-12/10/2009	\$699
Chi to Rome return	1 Month	10/9/2009-17/9/2009	\$797
Chi to Rome return	3 Month	5/11/2009-12/10/2009	\$717
LA to London return	1 Month	10/9/2009-17/9/2009	\$852
LA to London return	3 Month	5/11/2009-12/10/2009	\$842
LA to Paris return	1 Month	10/9/2009-17/9/2009	\$1174
LA to Paris return	3 Month	5/11/2009-12/10/2009	\$912
LA to Rome return	1 Month	10/9/2009-17/9/2009	\$726-indirect
LA to Rome return	3 Month	5/11/2009-12/10/2009	\$734- indirect

Source: Kayak.com, 6th August 2009

All prices are for 1 non-stop return flight, Thur to Thur.

*Lead times are approximate as the nearest Thur to Thur trip is calculated to ensure comparability.

Prices are per person and include all taxes & fees in USD. Baggage allowances and other airline fees vary.

3. US Economic News

US unemployment rate falls, surpassing expectations (Source: Labor Department, AP)

Employers cut 247,000 jobs in July, the fewest in a year, and the unemployment rate dipped to 9.4%, its first decline in 15 months. It was a better-than-expected showing that offered a strong signal that the recession is finally ending. The new snapshot, also offered other encouraging news- workers' hours nudged up after sinking to a record low in June, and pay checks grew after having fallen or flat lined in some cases. The new figures were better than many analysts were expecting and offered welcomed improvements to a part of the economy that has been clobbered by the recession.

Consumer confidence falls for second month in a row (Source: The Conference Board)

Consumer confidence fell more than expected in July, recording its second consecutive decline as sentiment remained hampered by a difficult job market. The worsening of sentiment came as Americans saying jobs were hard to get increased and those who thought jobs were plentiful fell to its lowest in more than a quarter century, hurting their overall assessment of the present situation. The fieldwork for July's index took place before the month's unemployment data was released, and confidence may increase in August once the news is etched into consumer's mindsets.

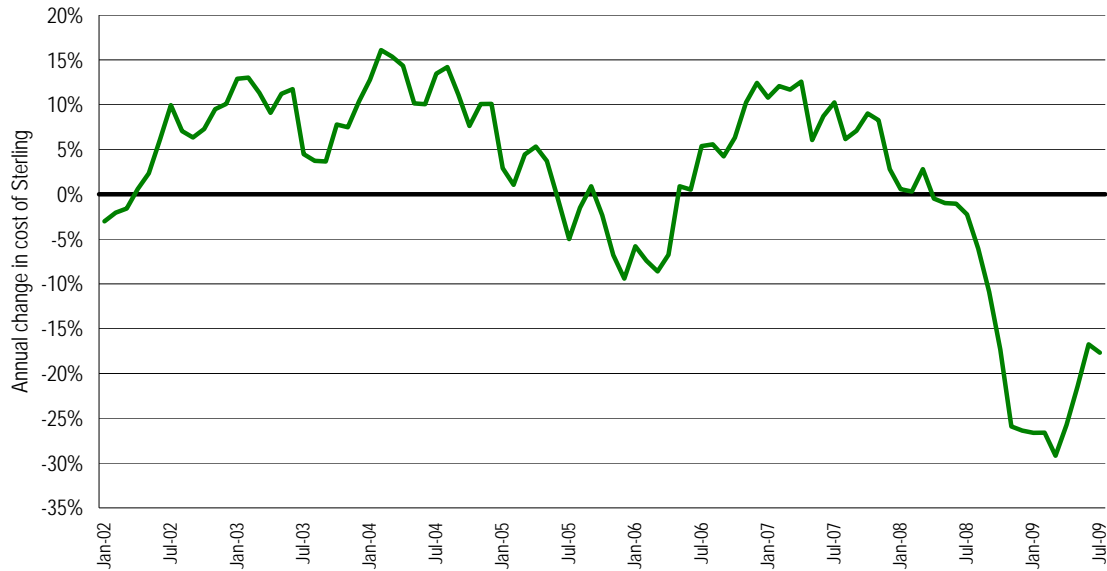
California settles budget dispute (Source: BBC)

Governor Arnold Schwarzenegger and leading California legislators say they have agreed a plan to close a state deficit of more than \$26bn. Mr Schwarzenegger said the plan would include \$15bn of spending cuts and no significant tax increases. California declared a fiscal emergency earlier this month after legislators missed a deadline to agree a budget for the coming financial year. Amid a protracted fiscal crisis, the office of the state controller has been sending promissory notes, or IOUs, to thousands of contractors and vendors providing state services. Along with the spending cuts, the plan proposes to raise money by borrowing from local government, moving funds from other government accounts and accelerating the collection of some taxes.

Exchange Rates

The pound ended July 2009 at 1.64 against the US dollar, -18% cheaper than a year ago.

US Dollar against Sterling



Month ends	US Dollar	y-o-y %
31-Jul-09	1.64	-18%
30-Jun-09	1.64	-17%
31-May-09	1.54	-21%
30-Apr-09	1.47	-26%
31-Mar-09	1.42	-29%
28-Feb-09	1.44	-27%
31-Jan-09	1.45	-27%
31-Dec-08	1.49	-26%
30-Nov-08	1.53	-26%
31-Oct-08	1.69	-17%
30-Sep-08	1.80	-11%
31-Aug-08	1.89	-6%
31-Jul-08	1.99	-2%

4. US Media & Marketing News

Baby Boomers show growth (Source: Traveltrade.com)

In the short term, Baby Boomers are set to be the fastest growing population group in the US. According to the US Department of Health and Human Services, from 2000 to 2010 the number of Americans 55 to 64

years old will grow by 47% (during the same 10-year period, the US population overall is expected to grow by about 9%).

New Corp to charge for online news content... (Source: BBC)

News Corp, which owns the New York Post and The Wall Street Journal, among others, will soon begin charging for news content online. "We intend to charge for all our news websites," said chief executive Rupert Murdoch. "I believe that if we are successful, we will be followed by other media". To keep readers from simply shifting to free news websites, Murdoch said News Corp would simply make its content "better and differentiate it from other people". Murdoch said he was "satisfied" that the company could produce "significant revenues from the sale of digital delivery of newspaper content." So far the Wall Street Journal is the only major publication in the US to successfully implement a subscription-only model.

... whilst FT also echoes this plan (Source: The Guardian)

The Financial Times is to introduce a full "pay-per-view" model for accessing online articles by next summer and is reviewing whether any content on FT.com will remain free to access. Pearson's business and financial broadsheet is exploring online payment systems that offer a user-friendly "one-click" process, such as Amazon and Apple's iTunes. Plans to launch the "pay-per-article" system have necessitated a wider review of the other content access models FT.com currently operates and could potentially spell the end of any free content on the website. FT.com currently offers three tiers of access to its digital content. For users who register an amount of personal information, such as their email address, 10 articles a month are accessible free of charge. There are about 1.4m registered users of FT.com for this limited access.

5. Inbound Visits to Britain

Visits from North America were down 18% during January-May 2009 compared with the same period of 2008.

	MAY		3 MONTHS TO MAY		YEAR-TO-DATE		TWELVE MONTHS TO MAY	
	Visits	% change	Visits	% change	Visits	% change	Visits	% change
	(000)	09/08	(000)	09/08	(000)	09/08	(000)	09/08
North America	320	-20	860	-18	1,230	-19	3,520	-20
EU15	1,620	-9	4,740	-4	7,140	-5	17,920	-4
A12	190	-42	660	-29	1,020	-31	2,860	-14
Rest of Europe	150	-18	480	-9	707	-16	1,910	-7
Rest of World	330	-5	820	-10	1,340	-15	4,180	-10
Total Visits	2,610	-14	7,560	-9	11,440	-12	30,390	-8
	Spend	% change	Spend	% change	Spend	% change	Spend	% change
	(£m)	09/08	(£m)	09/08	(£m)	09/08	(£m)	09/08
Total Spend	1,290	-11	3,760	-3	5,720	-3	16,135	-1

Source: International Passenger Survey, Office for National Statistics

6. US Citizen Outbound Air Traffic (Source: US Department of Commerce)

The US Department of Commerce reported that US citizens made 940,000 outbound trips (by air) to Europe in April 2009, with Jan-April 2009 down -10% compared to the same quarter months in 2008.

For 2008 overall, US outbound air traffic declined -1%, as a strong start to the year was quickly eroded by the economic downturn. Trips to Europe declined -6%, similar to the decline in trips recorded to Oceania and Canada. In contrast, trips made to short/medium-haul destinations of the Caribbean, Central America and Mexico proved resilient.

Regions	2008 Total	% Change	January 2009	February 2009	March 2009	April 2009	% Change 2009 YTD
Europe	12,420,662	-6.2%	668,221	568,968	847,090	940,279	-10.3%
Caribbean	5,634,789	1.0%	396,837	418,004	453,515	477,955	-8.7%
Asia	5,487,373	-1.2%	437,095	358,594	429,966	413,535	-11.1%
South America	2,535,245	2.9%	207,714	200,060	213,455	191,000	0.1%
Central America	2,566,229	1.6%	211,280	206,134	246,459	213,056	-1.3%
Oceania	764,399	-6.9%	66,177	65,299	58,118	50,703	-11.0%
Middle East	852,368	44.0%	78,587	67,543	81,205	87,774	34.4%
Africa	317,343	54.7%	27,246	24,153	31,375	27,591	33.4%
Mexico	5,866,545	2.5%	444,319	447,187	510,573	464,651	-5.2%
Canada (rev)	3,581,759	-5.5%	172,430	179,633	197,389	216,367	-10.2%
Grand Total	30,578,408	-1.2%	2,709,906	2,535,575	3,069,145	3,082,911	-6.9%
Monthly % Chg	-	-	-7.20%	-7.0%	-11.7%	-1.0%	



USA On-territory Insights Report- August 2009

Please see below for a schedule of forthcoming releases:

- **USA On-territory Insights Report**- monthly
- **Canada On-Territory Insights Report**- monthly
- **Latin America (Mexico, Argentina, Brazil) On-Territory Insights Report**- 3rd week every other month

If you have any comments, suggestions of feedback on these reports please contact Phil Underwood, Market Intelligence Executive, the Americas, at Philip.underwood@visitbritain.org.