



## USA Insights Report

April 2009

### Contents

1. April's Key Insights
2. Travel News
3. Economic News
4. Media News
5. Other Insights, Indicators
6. Competitor Insights
7. Industry Insider
8. Inbound Visits to Britain
9. US Citizen Outbound Air Traffic

## 1. April's Key Insights

- Affluent Americans are split about their holiday plans in 2009 (page 4)
- EU and US Airlines may win exemption from an EU slot-use rule meaning they must use landing slots 80% of the time or face losing them (page 5)
- US Airlines lobby Congress to keep global airline alliances safe from anti-trust legislation (page 5)
- US Airlines employ 7% fewer staff than a year ago (page 5)
- The White House assures the US travel industry that the President encourages business travel, after he commented that companies receiving federal bailout money should not be taking trips "...on the taxpayers dime" (page 5)
- The overall US unemployment rate reaches, 8.5% overall, and over 10% in seven U.S. States (page 6)
- During the month of March the \$/£ exchange rate fell as low as 1.38, the cheapest rate since September 1985 (page 7)
- An estimated 525 consumer magazines folded in 2008 (page 8)
- Most US religious groups have lost ground (page 9)

Quote of the month:

"When you come here there's that sense of familiarity, as well as difference, that makes it just a special place"

**President Barack Obama, speaking about Britain on his recent trip to attend the G20 meeting in London.**

## Introduction

Welcome to the third edition of VisitBritain's monthly on-territory report for travel to Britain from the US. The aim of this report is to provide a summary of all news and events that impact on transatlantic travel. Furthermore, each month the report features a short interview with a prominent member of the travel industry with an interest in tourism to Britain from the States. This month's 'Industry Insider' interview is with **Tim Roebuck, Vice President, BritRail.**

## 2. US Travel News

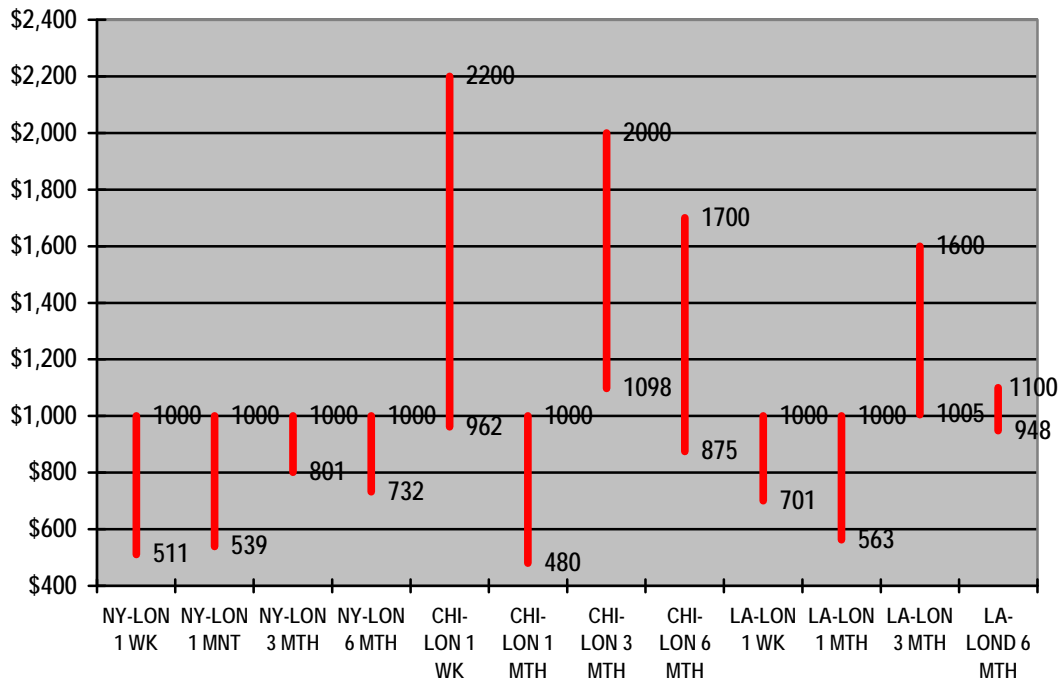
### Transatlantic Air Fare Price Watch

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	Price Range	Approx No. of Airlines Surveyed (non-stop)
NY to Lon return	1 Week	2/4/2009-9/4/2009	\$511-1000	9
NY to Lon return	1 Month	23/4/2009-30/5/2009	\$529-1000	9
NY to Lon return	3 Months	25/6/2009-2/7/2009	\$801-1000	9
NY to Lon return	6 Months	14/9/2009-1/10/09	\$732-1000	9
Chic-Lon return	1 Week	2/4/2009-9/4/2009	\$962-2200	7
Chic-Lon return	1 Month	23/4/2009-30/5/2009	\$480-1000	7
Chic-Lon return	3 Months	25/6/2009-2/7/2009	\$1098-2000	7
Chic-Lon return	6 Months	14/9/2009-1/10/09	\$875-1700	7
LA-Lon return	1 Week	2/4/2009-9/4/2009	\$701-1000	8
LA-Lon return	1 Month	23/4/2009-30/5/2009	\$563-1200	8
LA-Lon return	3 Months	25/6/2009-2/7/2009	\$1005-1600	8
LA-Lon return	6 Months	14/9/2009-1/10/09	\$948-1000	8

Source: Kayak.com, 26th March 2009

## Transatlantic Airfare Price Range



Source: Kayak.com, 26th March 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.

Search is conducted on the last Thursday of every month.

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

## Other Travel News

### Airfare sales go to brink of peak summer season (Source: AP)

The CEO of bestfares.com has stated that current discounted sale fares being offered by many airlines are continuing into June, right up to the start of the summer peak travel season.

### Affluent Americans split about holiday plans in 2009 (Source: Ipsos Mori)

Individual affluent Americans (those whose income is \$100K or above) spent nearly 25% of their expenditures on travel, leisure and entertainment in 2008. For 2009, travel intentions were polarised, while 48% of stated that the current financial crisis will not have any impact on their planned leisure travel in 2009, nearly as many again (46%) attribute the recession to lower planned leisure trips and expenditures in 2009.

### March 28<sup>th</sup> named as "Passport Day in the USA" (Source: FoxBusiness)

On Saturday, March 28, the Department of State celebrated "Passport Day in the USA," a national outreach event to inform the public about the upcoming changes to U.S. travel document requirements, provide passport information and accept passport applications from U.S. citizens from coast-to-coast and border-to-border. All Department of State Passport Agencies, and many Passport Acceptance Facilities around the country, hosted passport application acceptance events. U.S. citizens without a valid passport book or passport card were encouraged to apply on this day.

### Environment still important to US Travellers (Source: PhoCusWright)

According to a new report by PhoCusWright, 44% of U.S. travellers consider environmental impact important to them when planning travel. According to the survey, nearly one third of U.S. travellers would

pay premiums for environmentally friendly travel, but these savvy consumers are looking for practices that go above and beyond cursory measures.

## Airline News

### **Profits Forecast for North American Airlines in 2009** (Source: Travel + Leisure)

According to the latest forecast by the International Air Transport Association, despite anticipated industry losses worldwide, North American carriers will generate an overall profit of \$100m in 2009, with a 7.5% fall in demand expected to be matched by a 7.5% cut in capacity. U.S. carriers especially were cited as benefiting from careful supply-to-demand relationship management and lower fuel prices.

### **Airlines may win exemption from EU slot-use rule** (Source: Travel Daily News)

European Union regulators have proposed to suspend an obligation on airlines to use their airport slots at least 80% of the time to avoid losing them, a move which could allow further transatlantic capacity cuts. The European Commission's proposal would suspend the EU's use-it-or-lose-it rule on airport landing slots until October as air traffic declines. The measure needs the support of national governments and the European Parliament. The proposal would prevent airlines from having to fly nearly empty aircraft simply to retain slots, which are worth millions of dollars. The slots would otherwise be lost in 2010.

### **US Airlines employ fewer staff** (Source: Department of Transportation)

U.S. airlines employed 6.9% fewer workers in January 2009 than they did a year earlier, the seventh consecutive year-over-year decrease and the largest decline since December 2003.

### **Airlines ask U.S. to preserve global alliances** (Source: Reuters)

U.S. and EU airlines are lobbying to oppose an effort in Congress that could threaten the global aviation alliances that allow relief from antitrust law to coordinate schedules and fares, particularly on transatlantic routes. Lobbyists for airlines, hotels and other travel organisations are stating that ending the tie ups would cost jobs and weaken an industry nervous about softening demand amid recession. The Lobbyists argue that global alliances have eliminated inefficiencies, promoted best practices and fostered vigorous competition.

### **JetBlue eyeing more international partners** (Source: AP)

JetBlue Airways Corp. says it will seek out more international partners, as it looks for ways to attract new customers without hefty investments. JetBlue recently entered a strategic alliance with Aer Lingus that allows passengers to fly on the same ticket using both carriers' networks. It has similar partnerships with stockholder Lufthansa Airlines and Lufthansa-owned Swiss Airlines. The company also said it would consider joining a major airline cooperative, such as the Star Alliance.

### **BA to move Atlanta flight to Heathrow** (Source: Travel Weekly)

British Airways is moving its Atlanta-London flights from Gatwick Airport to Terminal 5 at Heathrow Airport in March. After the switch, BA's only U.S.-Gatwick service will be for Orlando and Tampa.

## Corporate Travel News

### **White House says President encourages business travel** (Source: MSNBC)

As reported last month, the US MICE market has seen significant downturns in bookings as companies are keen to avoid being seen as frivolous in a recession. In addition, the industry reacted angrily when President Barack Obama stated in February that businesses receiving federal bailout money should not be taking trips "...on the taxpayers dime". White House press secretary Robert Gibbs has now been forced to clarify remarks stating in March that "The president believes it's important to have a strong tourism industry and

that it's important that we shouldn't retrench...He would encourage people to travel." The statement was welcomed by industry figures.

#### **Corporate travel cuts may threaten economic recovery** (Source: US Travel Association)

A survey commissioned by the U.S. Travel Association found that 82% of 401 business executives (at companies with more than \$50m in annual sales) felt that travel is important to achieving business results. Additionally, 81% of business executives believed that more client contact was necessary in an economic downturn, and 59% strongly agree that in-person contact grows business. Furthermore, 53% believe that companies reducing business travel give an advantage to their competitors.

### **3. US Economic News**

#### **Signs downturn nears bottom, but unemployment persist** (Source: AP, Commerce Department, Labor Department)

The US Commerce Department reported that demand for manufactured goods rose 1.8% in February, reversing six straight monthly declines and contrasting predictions of another drop. Other economic indicators for February were above expectations, including construction spending and pending home sales.

However, unemployment levels remained high, jumping to 8.5% in March, the highest since late 1983, as a wide swath of employers eliminated 663,000 jobs. Since the recession began in December 2007, the US economy has lost a net total of 5.1m jobs, with almost two-thirds of the losses occurring in the Nov '08-Mar '09 period.

#### **US unveils \$1tn toxic asset plan** (Source: BBC News)

The US has announced details of a plan to buy up to \$1 trillion worth of toxic assets to help repair banks' balance sheets. The "Public-Private Investment Programme" will purchase the troubled mortgages and securities that have been at the root of the credit crunch. The US Treasury has committed \$75bn to \$100bn to the programme and said the private sector would also contribute.

#### **Jobless rate exceeds 10% in seven U.S. States** (Source: Bloomberg)

In February '09, Nevada, North Carolina and Oregon joined four other states that had previously climbed above 10% unemployment, according to Labor Department data. Michigan, at 12% remained the US state with the highest unemployment rate, followed by South Carolina at 11% and Oregon at 10.8%. California and Rhode Island bring the total number of states to seven.

#### **Cheap prices 'lift US home sales'** (Source: National Association of Realtors)

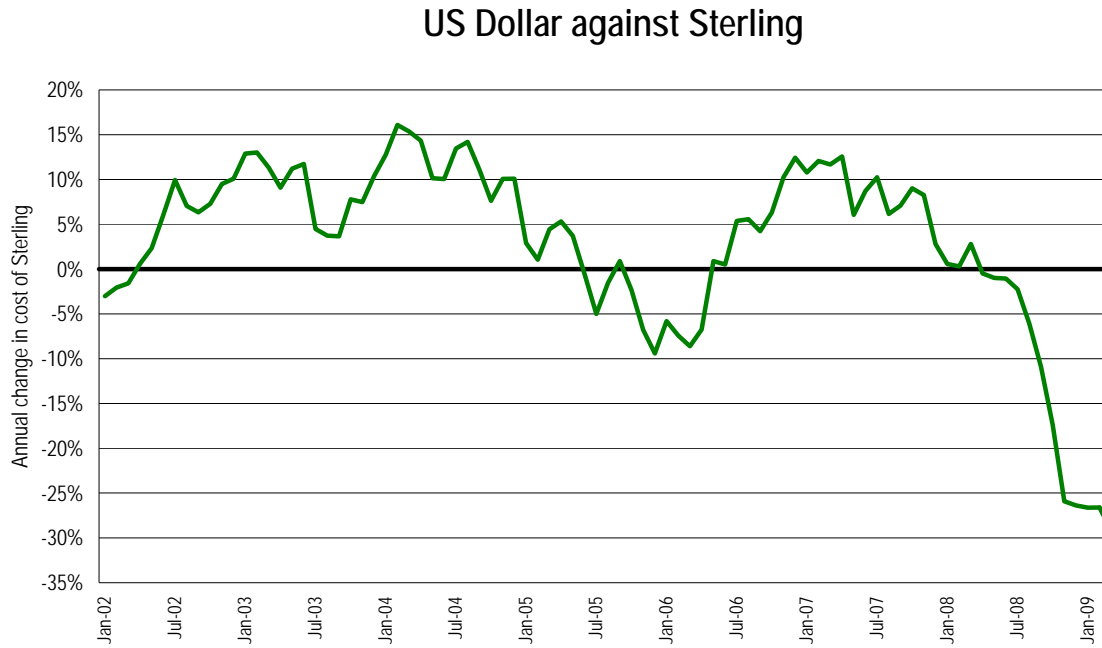
US home sales rose in February as buyers took advantage of low priced houses that had previously been repossessed. Sales of existing homes grew 5.1% in February to an annual rate of 4.72 million, up from January's 4.49 million, the largest jump since 2003. The average price fell 16% from a year earlier to \$165,000.

#### **US consumer spending increases** (Source: US Commerce Department)

US consumer spending increased for a second month in February even though incomes dipped under the weight of further job losses. The spending increases were seen as a hopeful sign that this key sector of the economy is staging a modest rebound that could help pull the country out of the recession. Consumer spending rose by 0.2% in February after a 1% jump in January, which was the largest one-month gain in 3 1/2 years. Those gains followed a record six straight monthly declines as consumers tightened their belts in the face of a deepening recession.

## Exchange Rates

The pound ended March 2009 at 1.42 against the US dollar, -29% cheaper than a year ago. The pound was not at this low level against the dollar since March 2002. During the month the exchange rate fell as low as 1.38, the cheapest rate since September 1985.



## 4. US Media News

### **Further newspaper changes** (Source: various)

Last months report looked at the state of the US newspaper industry as it struggles to adapt to the shift towards online content and a downturn in ad sales. There have been further examples of the decline in March, and additional predictions from media analysts about the industries future. The Sun-Times Media Group became the second major Chicago newspaper publisher to seek bankruptcy protection. It followed Chicago Tribune owner Tribune Co. and three other major newspaper companies that have filed for bankruptcy since December 2008. In addition, the stock prices of most newspaper publishers have dropped more than 90% from their peaks. A leading media analyst also predicted that during 2009 and 2010, all the two-newspaper markets will become one-newspaper markets, and one-newspaper markets are destined to become no-newspaper markets.

### **Where 1990's top newspapers are now** (Source: Ad Age)

Linked to the above story, Ad Age recently examined circulation data for the top newspapers between 1990 and 2008. Of the 25 biggest weekday papers in 1990, the year newspaper employment peaked and the year before circulation declines really gathered momentum, 20 papers have lost ground. Only five have expanded paid circulation by more than a couple percentage points, the biggest of these were the USA Today and The Wall Street Journal.

### **Many Americans wouldn't care if local papers folded** (Source: Pew Research Center)

According to a new report by Pew Research Centre, when seeking out local news, more people obtain news from local television stations than any other source. About two-thirds (68%) stated they regularly get local news from television reports or television station websites, 48% stated they regularly get news from local newspapers in print or online, 34% said they get local news regularly from radio and 31% said they get their local news, more generally, from the internet. The majority of respondents also felt that if a local media outlet closed it would not adversely affect the community.

### **Report estimates 525 consumer magazines folded in 2008** (Source: eMarketer)

A new report by eMarketer has estimated that magazine ad spending was down 7.1% in 2008, to \$13bn. In 2009, the forecast for decline is a more severe 16.2%. Due to the recession, advertisers reduced their budgets across the board, with print publishing taking a significant hit. In addition, magazines have watched consumers and ad dollars migrate online at the expense of print and other forms of traditional media. In 2010 and 2011, the report predicts that offline advertising will further decline, though eMarketer predicts moderate single-digit drops once the recession ebbs. In addition to the 525 magazines that folded in 2008, the report estimated that 87 further publications folded in Jan-March 2009.

### **'Travel + Leisure Golf' magazine folds** (Source: FolioMag.com)

American Express Publishing has decided to shutter the print edition of Travel + Leisure Golf. The March/April issue was the final issue. Travel + Leisure Golf carried a bi-monthly circulation of 625,000. Ad pages were down 13.9% in 2008, according to Publishers Information Bureau figures.

## 5. Other Insights, Indicators

### **Affluent consumers cutting spend** (Source: Ledbury Research)

Consumers with an average income of \$200k cut spending on luxury goods by 6% in Q4 2008 compared to the previous quarter. Luxury fashion accessories, kitchenware, electronics and home furnishings suffered the largest downturns. According to Ledbury, the luxury sector will continue to decline throughout 2009 and may recover slower than the mid-market.

### **Young boomers watching most TV** (Source: Ad Age)

A study of media habits by the Council of Research Excellence has found that young boomers use digital platforms more than previously thought and that consumers under the age of 35 watch more live TV than expected. At the same time, evidence is mounting that traditional TV use is in decline among consumers in advertisers' favorite age demographic, between 18 and 34.

The study found that younger baby boomers between the ages of 45 and 54 consume the most video media, taking in an average of just over nine-and-a-half hours each day. Of that time, 336 minutes per day, more than five-and-a-half hours, was devoted to live TV. The young boomers also use the web an average of 46 minutes, DVR playback 17 minutes, and e-mail 51 minutes.

Meanwhile, consumers between the ages of 18 and 34 take in an average of eight-and-a-half hours of media overall, with 210 minutes (about three-and-a-half hours) devoted to live TV. The youngest consumers devote an average of 67 minutes to the web, 34 minutes to DVR playback and 20 minutes to email.

### **Boomers zero in on social networks** (Source: USA Today, ComScore, Pew Research)

According to the Pew Research, one-third of adult internet users have a profile on a social networking site, up from 8% in 2005. In addition, although adults share some teen habits (checking in with existing friends, planning social activities) they differ from the younger set in their desire to use the medium to meet new friends from across the US.

Furthermore, according to Internet monitoring site comScore, currently, 16.5m adults aged 55 and older engage in social networking. Facebook is seeing the most growth among users age 30 and older. MySpace, with 130 million users, is enjoying a surge among the 55-plus set, who total 6.9 million users and spend an average 204 minutes a month on the site.

The desire to get in touch with like-minded souls has also fuelled the growth of sites such as Eons.com and TBD.com, aimed firmly at baby boomers.

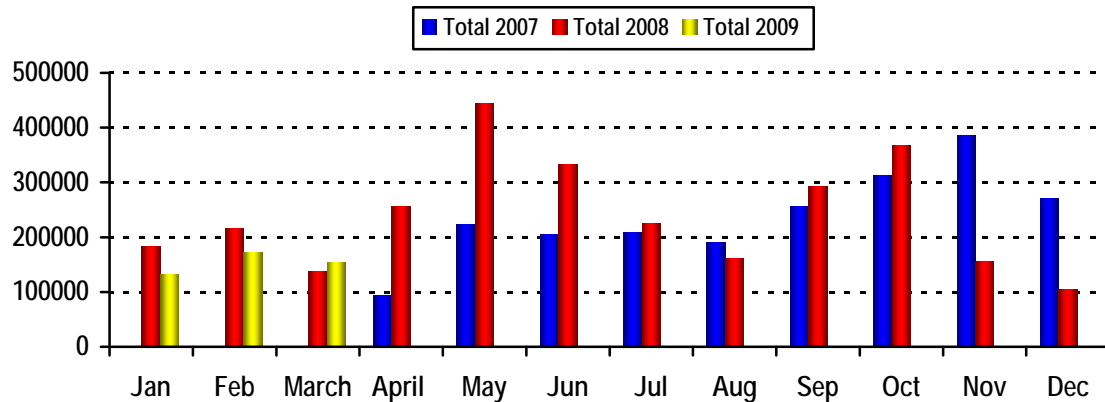
### **Most religious groups in USA have lost ground, survey finds** (USA Today)

A new survey entitled the 'American Religious Identification Survey' finds that, despite growth and immigration that has added nearly 50m adults to the U.S. population, almost all religious denominations have lost ground between 1990 and 2008. Indeed, the percentage of people who call themselves in some way Christian has dropped more than 11% in a generation.

### **VisitBritain Web Traffic Figures**

VisitBritain's consumer website's ([visitbritain.com/us](http://visitbritain.com/us) & [beabritdifferent.com](http://beabritdifferent.com)) recorded an increase in unique visits in March 2009.

## VisitBritain Web Traffic Figures by Month, 2007-2009



Source: VisitBritain

## 6. Competitor Analysis

This month's competitor analysis focuses on changes in individual US State's tourism marketing budgets. American states are facing tough times trying to attract tourists as the recession means fewer Americans are travelling. This combined with huge deficits in state budgets from reduced taxation revenue and greater spending commitments has left many states facing a predicament- do they spend the more on tourism as something that creates economic value to the state or do they cut spending and divert funds to paying for other things? Below are examples of what some US states have announced that has made the news in March.

- **Missouri**- Missouri is getting an additional \$1m in advertising funds to help jump-start the 2009 tourism season.
- **Nevada**- In the face of a \$2bn billion budget deficit there is a proposal for a 60% cut for the Nevada Commission on Tourism.
- **Michigan**- Michigan tourism promoters are seeking \$90m from the US federal government. Michigan is getting \$18bn from the federal economic stimulus package.
- **Arkansas**- Spend level to hold same in 2009 as 2008.
- **Florida**- A proposed 30% cut in Visit Florida's budget has been shelved based on the recent economic situation.
- **Hawaii**- Hawaii Tourism Commission's Budget is sourced from a local hotel tax, and will therefore be significantly lower due to depressed demand. They are currently lobbying the President for additional revenue streams to make up the shortfall.
- **New Jersey**- Tourism leaders are seeking a fourfold funding increase for New Jersey's 16 local tourism boards in the proposed state budget. They say \$8m is needed to enable the tourism industry to rebound in 2010. The boards are currently slated to receive \$1.9m.
- **Ohio**- The governor of Ohio's next two-year budget proposal funds tourism at \$6.8m, a 10% increase on current levels. This is in contrast to significant cuts in other departments.
- **Louisiana**- The state is looking at a \$2bn budget shortfall this year and almost every category of state spending is expected to take heavy cuts. Tourism chiefs are currently lobbying for tourism to escape these cuts.

## 7. Industry Insider

Each month we feature a short interview with a prominent member of the travel industry with an interest in tourism to Britain from the States. This month's 'Industry Insider' interview is with **Tim Roebuck, Vice President of BritRail**.

**Q- How would you summarise the current market for US-UK travel?**

**A-** Getting better! All the noise has been negative for 6 months and only now is there a glimmer of the prospect of a better environment in which to operate. We are still tracking down, versus last year, but at least now we are into modest percentage declines versus the very poor winter.

**Looking ahead - short term:**

The market environment is going to improve and specifically, good air fares and increased awareness of the rate of exchange will play key roles. We are undertaking a number of promotions to help play our part in the recovery, for example, we have negotiated 'One Free Day' of travel with a BritRail Pass for the next couple of months.

We all have to work harder to get those sales and so we have targeted specific market groups and segments and created special products for them. One current project is to do with the Rotary Conference being held in the UK in the spring. Another target is the VFR traveler where we have introduced a BritRail Guest Pass offer.

**Looking ahead- longer term:**

The prospects for rail and BritRail within the UK product offer remain good. Rail is once again 'in' - its very green and offers a sophisticated way to travel around Britain. Rail travel is ideal for the growing number of independent travelers and our product is uncluttered with the need to reserve, plan ahead and not change your mind about your travel plans. If you want to leave London for York in the afternoon instead of the morning, for any reason, feel free! That's something its more difficult or costly to do on Eurostar and most European high speed trains.

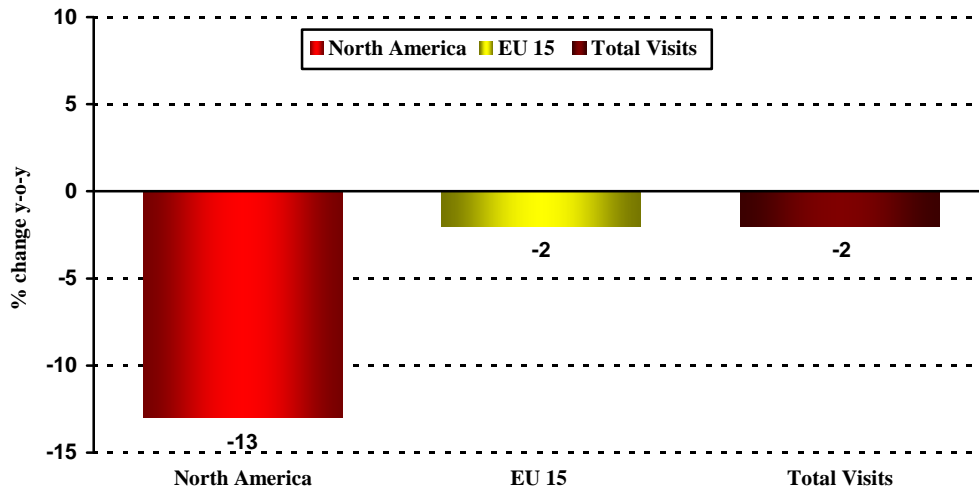
In the USA we depend upon the travel trade, for a large segment of our sales and have a new version of our wholesaler in house sales system called Railnet available - along with a new agent dedicated web site.

## 8. Inbound Visits to Britain

### Visits to UK from North America Remain Down

Provisional estimates from the International Passenger Survey report that year-on-year visits from North America (includes Canada) to the UK were down 13% during 2008 compared with 2007. These figures compared to an overall decrease of 2% for all overseas visits to the UK during 2008.

### Inbound Visits to UK by Region, 2008 Provisional Results



Source: International Passenger Survey, Office for National Statistics

### Inbound Visits from the USA by 'state of residence', 2006

The International Passenger Survey collects information about where inbound visitors live within their own countries. This information is obtained for visits from individual US States bi-annually, the last year was 2006. As the table below indicates, California is the largest source state for US visits, followed closely by New York State.

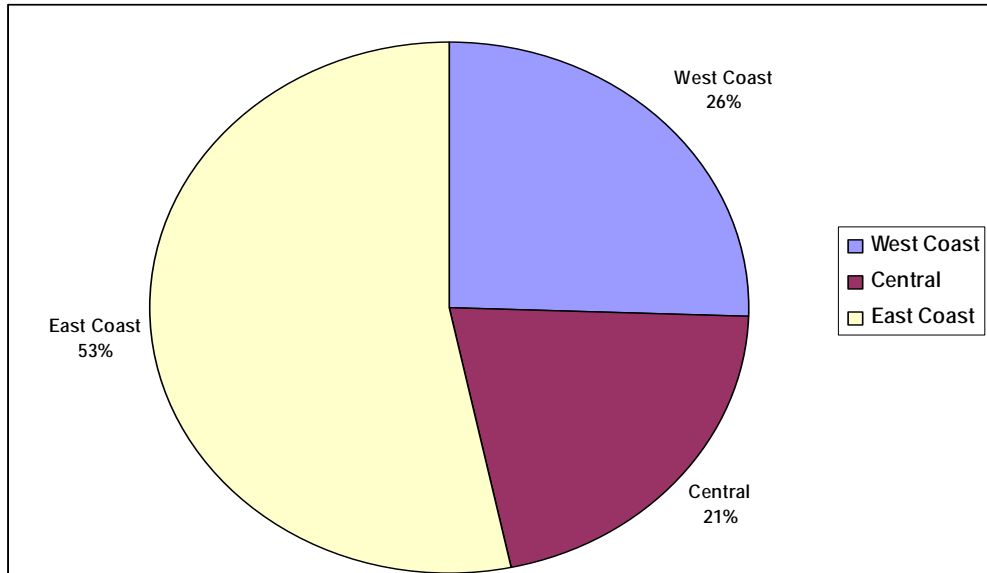
### Inbound Visits from the USA by 'state of residence', 2006

	State	Visits (000s)
1	California	631
2	New York State	504
3	Texas	239
4	Florida	208
5	New Jersey	194
6	Massachusetts	186
7	Pennsylvania	151
8	Illinois	147
9	Virginia	140

### Inbound Visits from the USA by 'state of residence', 2006

Looking at inbound visits by region within the USA, although California is the single largest state, the East Coast accounts around half of all visits. In 2006, the West Coast accounted for around a quarter of visits (26%) whilst a slightly lesser amount (21%) were from the Central Region.

### Inbound Visits from the USA by 'state of residence', 2006



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

The US Department of Commerce reported that US citizens made 0.9m outbound trips (by air) to Europe in December 2008, a 7% fall compared with the same month in 2007. 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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Total	% Change
Europe	753,241	668,385	982,679	968,486	1,318,802	1,521,619	1,334,096	1,122,497	1,180,564	916,328	765,079	888,886	12,420,662	-6.2%
Europe monthly % Change	1.8	6.7	-5.7	-3.1	-4.9	-5.3	-9.1	-9.2	-9.0	-11.8	-10.7	-6.9%	-	-
Caribbean	438,600	435,308	547,115	492,124	504,964	558,422	626,393	521,947	287,346	335,003	394,502	493,065	5,634,789	1.0%
Asia	494,580	402,100	515,685	430,615	496,099	516,814	481,649	430,945	390,446	457,586	407,984	462,870	5,487,373	-1.2%
South America	207,293	202,985	225,557	175,747	196,573	244,346	231,272	209,270	166,835	184,751	203,791	286,825	2,535,245	2.9%
Central America	216,029	219,115	263,537	189,909	200,231	265,294	253,007	220,683	128,348	149,588	192,037	268,451	2,566,229	1.6%
Oceania	73,910	79,339	66,298	50,438	53,517	61,465	75,890	58,032	49,771	60,102	63,254	72,383	764,399	-6.9%
Middle East	57,216	51,780	64,548	60,994	75,411	85,385	74,590	65,297	60,491	73,587	88,964	94,105	852,368	44.0%
Africa	21,319	16,700	25,232	19,508	26,545	28,968	31,987	27,491	25,490	30,020	29,087	34,996	317,343	54.7%
Mexico	471,670	454,449	558,210	484,746	508,033	577,543	581,858	496,806	312,393	402,109	449,593	569,135	5,866,545	2.5%
Canada (rev)	184,695	196,921	228,487	240,046	312,834	424,006	473,967	433,929	318,928	276,633	213,697	269,665	3,581,759	-5.5%
Grand Total	2,918,553	2,727,082	3,477,348	3,112,613	3,693,009	4,283,862	4,164,709	3,586,897	2,920,612	2,885,707	2,807,988	3,440,381	30,578,408	-1.2%
Monthly % Chg	6.0%	6.6%	2.8%	0.0%	0.6%	-0.8%	-4.0%	-3.6%	-7.2%	-7.1%	-4.8%	-3.2%	-	-



### USA On-territory Insights Report- April 2009

Please see below for a schedule of forthcoming releases:

- **USA On-territory Insights Report**- 1<sup>st</sup> week of every month
- **Canada On-Territory Insights Report**- 2<sup>nd</sup> week of every month
- **Latin America (Mexico, Argentina, Brazil) On-Territory Insights Report**- 3<sup>rd</sup> week every other month

If you have any comments, suggestions of feedback on these reports, or if you would like to be featured as the 'Industry Insider' please contact Phil Underwood, Market Intelligence Executive, the Americas, at [Philip.underwood@visitbritain.org](mailto:Philip.underwood@visitbritain.org).