

AAA Corporate Travel Newsletter

October 9, 2009

Clear Registered Traveler program said to have a buyer

The New York Times is reporting that the defunct Clear Registered Traveler program could get back on its feet. The newspaper said a California-based investment banker named Kurtis Fechtmeyer has signed a letter of intent with Morgan Stanley - Clear's biggest debt-holder -- to acquire the assets of Verified Identity Pass, which created the Clear system, and to reopen its express lanes at airport security checkpoints.

The article said Fechtmeyer's investment bank, FBR Capital Markets, had been involved in trying to help Verified Identity Pass get new financing before it shut down. It quoted Fechtmeyer as saying that if the deal goes through; his group could have Clear express lanes open and operating within a few months, perhaps by the end-of-year holidays.

He told the newspaper he intends to let existing members continue their unexpired memberships at no additional cost, and will destroy the personal information of those members who choose not to stay with Clear. When Clear shut down in June, it provided no refunds to any of its roughly 200,000 members, although the company never filed for bankruptcy. Clear charged membership fees of up to \$199 a year, providing biometric ID cards that allowed users to gain fast access to security checkpoints at some 20 airports nationwide.

Fechtmeier told the newspaper that his organization surveyed Clear members in recent months and found that 70 percent were willing to give the service another try.

Executive Travel SkyGuide e-Alert, October 5, 2009

Continental Airlines changes policy for online baggage fees

Effective today, tickets purchased for travel November 1st and beyond will receive an online bag fee discount of 10% off the airport rate for both the 1st and 2nd bag (previously the discount amount was a flat rate).

Example: Customer traveling from IAH-EWR checks in and pays the bag fee online. The charge will be \$18.00 for the 1st bag and \$27.00 for the 2nd bag (formerly \$15.00 and \$25.00 respectively).

This applies to all baggage fees worldwide. Travel agencies cannot collect this fee.

The 10% will be off the bag fee that the customers would pay at the airport - not the previous on-line fee.

Before and After Example:

So currently when you check your bags at the airport domestically (IAH-EWR):

Airport	1 st bag \$20	2 nd bag \$30	
Online	1 st bag \$15	2 nd bag \$25	(flat fee)

New bag fees effective Nov. 1st:

Airport	1 st bag \$20	2 nd bag \$30	
Online	1 st bag \$18	2 nd bag \$27	(10%)

United offers one-year pass for checked bags for \$249

United Airlines, the third-largest U.S. carrier, will begin offering annual subscriptions for \$249 that allow passengers to check two bags at no additional cost any time they fly.

The fee for the so-called Premier Baggage service also covers checked luggage for as many as eight companions traveling under the same confirmation code as the subscriber, Chicago-based United said today in a statement.

United led major U.S. airlines in 2008 in charging \$25 for a second bag to boost revenue beyond tickets. The new service may help attract semi-regular travelers and families, said Brett Snyder, a Long Beach, California-based consultant who runs the CrankyFlier.com blog and is a former United employee.

“It’s money in the bank, and it will help them keep the loyalty of some customers,” Snyder said. “If a person uses this once or twice, even if they find a cheaper flight next time on another airline, they’re going to be more likely to pick United because they already bought this thing.”

Most big airlines charge \$15 each way for the first bag and \$25 for the second if they are checked online; each bag costs an extra \$5 at the airport. That means a single passenger checking two standard bags per round-trip flight would begin saving money with United’s subscription on the fourth trip.

Members of United’s frequent-flier program who travel 25,000 miles a year don’t have to pay for a first or second bag, the airline said. U.S. carriers collected \$669.6 million in baggage fees in the second quarter, more than triple the year-earlier total, according to the U.S. Transportation Department.

Bloomberg.com, October 5, 2009

Frontier finally exits Chapter 11

After operating under Chapter 11 bankruptcy for a year and a half, Denver-based Frontier Airlines came out from under court protection last week. The key to Frontier’s reorganization was its acquisition by Republic Airways Holdings, which said it intends to continue operating Frontier under its own brand, down to the wild animals on the tails of its aircraft.

Republic, which overcame a bid by Southwest Airlines for Frontier, also owns the regional carriers Chautauqua Airlines, Republic Airlines and Shuttle America, which operate feeder services under the banners of several major carriers, including AmericanConnection, Continental Express, Delta Connection, United Express, Midwest Connect and US Airways Express. Republic Airways Holdings also recently completed the acquisition of Midwest Airlines, which it operates as a wholly-owned subsidiary and now a sister company of Frontier; the two recently began code-sharing on some routes. Meanwhile, Republic plans to phase out the Boeing 717s in Midwest’s fleet next month, replacing them with Embraer E190 jets operated by Republic, and with some A319s from Frontier.


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BA introduces fees for selecting seats in advance

The latest new fee for international travelers comes from British Airways, which said on its website that starting October 7, new charges will apply for some customers who want to select seat assignments earlier than 24 hours before departure. The fees will not apply for first class passengers, Gold and Silver Executive Club members (or their Oneworld equivalents), or persons who book fully flexible fares (J/C/W/Y booking classes). Other passengers will have the option of paying for a seat assignment from the time of booking until 24 hours before departure; seat selection is free from 24 hours in advance until the time of departure.

If they do it will cost \$30 per segment for intercontinental passengers in World Traveler or World Traveler Plus cabins (economy or premium economy), and \$90 for Club World (business class) passengers. The big exception: If you want to select an exit row seat, you can only do so from 10 to four days before departure - and the fee in that case on intercontinental flights is 50 pounds (about \$80). For flights within Europe, the fees for advance seat selection are \$15 for economy class and \$30 for business class; on domestic U.K. flights, the fee is \$15.

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Airlines add surcharge for travel around holidays

The number of days passengers must pay extra for flying during busy holiday periods has jumped.

Several airlines are now charging a \$10 "peak-travel" surcharge per flight on 13 days around Thanksgiving, Christmas and other holidays.

American Airlines started the trend Sept. 23, when it instituted the surcharge for most domestic flights on three days during the Thanksgiving and New Year's holidays. US Airways and American have since expanded the number of days, and several competitors have matched.

It's not all bad news for consumers, though. Ticket prices for Thanksgiving and Christmas are 12% to 15% lower than last year because of decreased demand and cheaper jet fuel.

Airlines adding the surcharge: American, Delta, Northwest, United, Continental and US Airways. The surcharge is for travel Nov. 29-30, Dec. 19, Dec. 26-27, Jan. 2-3, March 14, March 20-21, March 28, April 11 and May 28. Discounters Southwest and JetBlue have not followed suit. "We are not in the habit of adding fees like a holiday surcharge and baggage fees," says Southwest spokeswoman Whitney Eichinger.

American Airlines spokesman Tim Smith says it's "very common to charge more for fares on peak demand days." Tacking on a surcharge for a limited number of dates is "much less cumbersome" for American than filing a fare change, he says.

The airlines add the surcharge to the base fare each way.

The surcharges "absolutely are not a fee," Smith says. That may not placate fliers disgruntled by the growing number of fees for checked bags, choice seats and other services. "The new peak-travel surcharge certainly does not communicate 'happy holidays' to me," says Judy Bowers, a flier based in Houston who has flown on two vacations in the past year.

"Airlines have lost all respect for their customers," says Carol Powell of Sylvania, Ohio, who has flown a dozen round trips this year. "When I start to add up the extras, driving is looking more like an option."

USAToday.com, October 8, 2009

The truth about airline bag fees

Here's an indisputable fact: During the second quarter of the year, the nation's largest airlines collected \$669.5 million worth of baggage fees from the nation's hapless passengers. That's an attention-grabbing 275 percent increase from the second quarter of 2008.

But here's an indisputable truth: The more baggage fees that the big airlines pile on their customers, the faster their overall revenue is collapsing. In fact, the only carriers that escaped a double-digit revenue decline in the second quarter were the two that still allow all passengers to check at least one bag for free.

Since airlines began hiving off traditional services like in-flight meals, seat assignments, and checked baggage from the basic airfare, the carriers have carefully tracked the growth of this secondary revenue. But they never correlate it against their overall revenue picture. And U.S. legacy carriers have studiously ignored the fact that Southwest and JetBlue, which generally avoid what is now called as a la carte pricing, have gained market share, won the most customer kudos, and, not coincidentally, been the most consistently profitable.

When the U.S. Bureau of Transportation Statistics (BTS) announced last week that airlines generated \$669 million in bag fees during the second quarter, no one bothered to compare the statistics to the carriers' second-quarter revenue. All you heard about was the 275 percent year-over-year increase that the revenue represented. All you got was quotes about how carriers had finally found a reliable new revenue stream or wire-service dispatches claiming that passengers had "accepted" bag fees.



The truth, however, is exactly the opposite. Airlines collecting baggage fees suffered catastrophic overall revenue declines in the second quarter.

American Airlines, for example, generated an industry-leading \$118.4 million in bag fees during the second quarter, a 219 percent year-over-year jump, says the BTS. Yet its total revenue in the second quarter dropped 20.9 percent to \$4.88 billion from \$6.17 billion in 2008's second quarter. The newly merged Delta (\$118 million in bag fees) and Northwest (\$67 million) reported a staggering 25 percent decline in combined passenger revenue during the second quarter. United's second-quarter revenue dropped 24.6 percent. Continental's total revenue plunged 22.7 percent, followed by AirTran (18.5 percent) and US Airways (18.4 percent). Alaska Air and its Horizon Air commuter subsidiary shed 12.3 percent of its second-quarter passenger revenue.

Just as in the first quarter, the only carriers to keep their second-quarter revenue declines in single digits were the two airlines that still permit free checked bags. Southwest was down 8.8 percent, and JetBlue's operating revenue declined by 6 percent.

Although it is impossible to generalize about airline revenue trends since the entire industry has contracted due to a number of circumstances in the last two years, the trend lines are undeniable. The carriers that try to generate cash by charging fliers for baggage are the same airlines being penalized most severely by passengers.

Of course, the nation's revenue-bleeding airlines don't see it that way. They've put their faith in the same bean counters who are blindly "growing" revenue with new fees. In recent weeks, they've begun to charge as much as \$50 to check a second bag on many international flights. Last week, the legacy carriers invented a totally new surcharge: \$10 if you fly on three traditionally busy days (November 29 and January 2 and 3) during the upcoming holidays.

And British Airways has created an unprecedented category of ancillary revenue: fees on premium-class fliers. Effective October 7, it will charge most U.S. business-class customers \$90 a flight for the privilege of choosing a seat in business class more than 24 hours before departure. For U.S. fliers connecting through BA's global hub at London's Heathrow Airport, they will be charged a startling \$360 roundtrip in new fees atop business-class fares that already cost as much as \$16,000.

Makes you wonder what third-quarter revenue figures are going to look like.

Portfolio.com, September 30, 2009

