

AAA Corporate Travel Newsletter

March 1, 2010

Southwest CEO: No-bag fee policy here to stay, codeshares 'perhaps by 2011'

Southwest will continue to allow customers to check two bags for free, the airline's CEO tells *Tampa Tribune* reporter Ted Jackovics. Speaking to Jackovics for a Q&A that runs in the *Tribune*, Southwest chief Gary Kelly defended the no-bag-fee policy against criticism from Wall Street analysts. Many of those analysts say Southwest is walking away from hundreds of millions of dollars in revenue by not charging for bags.

"The analysts just don't get it," Kelly tells Jackovics. "We are making money and others (who have added baggage fees) are losing money. We have gained market share because of our policy. If we added baggage fees, we could lose more revenue from lost passengers than we would gain by charging those who remain with Southwest." When asked by Jackovics if that will remain Southwest's policy, Kelly says: "Yes, we can never say never in perpetuity. But we are not thinking about making changes. Why should we? It differentiates Southwest from the other airlines."

Kelly also made an interesting comment about Southwest's plans for its international codeshare plans with Canada's WestJet and Mexico's Volaris. Those agreements had widely been expected to begin this year. But when asked about Southwest's outlook for international service, Kelly tells Jackovics: "We have plans for codeshares with other airlines to serve Mexico and Canada, perhaps by 2011." While that does not spell out any clear-cut changes, Kelly's "perhaps" comment seems likely to stir up speculation among industry observers.

USAToday.com, February 25, 2010

Deployment of body scanners starts as new objections surface

The first three of 150 new full-body scanning machines are due to be installed at Boston's Logan Airport this week, with another one coming to Chicago O'Hare later this month, according to wire service reports. TSA has not yet officially announced the deployment schedule, but the Obama Administration has set aside \$25 million of the federal government's stimulus funds for acquisition of the devices, which became a higher priority after the failed attempt by the Nigerian "underwear bomber" to blow up a Northwest flight on Christmas Day. The reports did not indicate whether the new machines will be used for primary or secondary screening; the 19 airports that are already testing the technology use the scanners for secondary screening, with the selected passengers being given the option of a physical pat-down instead.

The full-body scanners have caused some controversy because they can essentially see through a passenger's clothes, showing any item - metallic or not - that might be underneath them, including body parts. The technology uses various methods to protect the privacy of the individual being scanned - e.g., images are only seen by an officer at a separate location; images cannot be saved; and software can blur the specific features of the individual - but some new objections to the technology have arisen recently. According to an article in the *Detroit Free Press*, a national group of Islamic scholars called the Fiqh Council of North America has issued a ruling that use of the devices would be a violation of Islamic law. The article quoted the group's proclamation as saying that it is "a violation of clear Islamic teachings that men or women be seen naked by other men and women," according to their interpretation of the Quran.

Meanwhile, in the U.K., where the government is also planning to deploy full-body scanning technology at airports, *The Guardian* newspaper is reporting that government officials are concerned that the use of the devices on children might be a violation of child pornography laws. According to the article, government officials are trying to decide whether persons under age 18 should be exempt from any mandatory body-scanning, or whether the government should begin an effort in Parliament to revise the existing child pornography laws, exempting airport scans from the current restrictions on creating indecent images of children.

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American Eagle will put first class seats into CRJ-700s

Just a few weeks after Delta announced it is putting first class cabins into 66 Delta Connection CRJ-700 regional jets, American said it is doing the same to the 25 CRJ-700s in the American Eagle fleet. The work should be finished by July. Upon completion, American said, the planes will all have nine first class seats and 63 or 65 coach seats. The new front-cabin service will include a continental breakfast with cereal or hot oatmeal; a lunch or dinner with a fresh salad or a sandwich and dessert; and hot towel and mixed nuts service before meals. On short flights, first class flyers will get a beverage service with a gourmet snack mix.

The CRJ-700 first class seats are available for booking now, for travel starting July 2. The aircraft are used from American's Chicago O'Hare hub to Atlanta, Washington Reagan National, Newark, Houston, Oklahoma City, Minneapolis/St. Paul, Philadelphia, San Antonio and Salt Lake City. From DFW, Eagle CRJ-700s operate to Cleveland, Milwaukee, Bentonville (Ark.) and Little Rock. American said the 22 new CRJs that will start being delivered this year will also come with first class cabins.

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U.S. carriers' revenues finally turn upward

They still have a long way to go, but during the month of January, U.S. airlines saw their revenues increase by a small but significant 1.4 percent year-over-year, according to the Air Transport Assn., an airline trade group. That increase reverses 14 consecutive months of declining revenues. U.S. carriers have seen sporadic monthly increases in passenger traffic starting last September, but revenue gains remained elusive until January. In fact, the January rise in revenues came in spite of a fractional decline (0.4 percent) in passenger numbers for the month. Still, those who did fly found that the average price to fly one mile was 0.6 percent higher than in January 2009. "Growth was strongest on transatlantic routes, where passenger revenue rose 3.4 percent," ATA said.

In another hopeful sign, the group said U.S. airlines' cargo traffic jumped 17 percent year-over-year for December 2009, the latest numbers available. For the full calendar year, cargo was down 11 percent from 2008 levels. ATA called the new data "promising signs that air transport demand may be at the beginning of a long-awaited recovery." Still more good news came from the Airlines Reporting Corp., a clearinghouse that processes air ticket sales from U.S. travel agents, which account for about half the tickets sold. ARC said the number of ticketing transactions in January 2010 showed a 7 percent increase from January 2009, and total sales volume rose 10.7 percent to more than \$5.9 billion.

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Alaska Airlines signs on with Gogo in-flight Internet

In 2009, Alaska Airlines announced it was testing in-flight Wi-Fi Internet service provided by Row 44 - the same vendor Southwest Airlines recently selected to outfit its entire fleet. Now Alaska says it has agreed to a fleet-wide Wi-Fi project - but not with Row 44. Instead, Alaska will use the services of Aircell's Gogo In-flight Internet, the same vendor chosen by most major U.S. airlines. Despite successful testing of Row 44's technology, Alaska said it ultimately turned to Gogo "to speed fleet-wide installation and Wi-Fi availability for customers." "With more than 730 systems already flying (on competitors' fleets), Aircell has a proven track record of deploying affordable in-flight Wi-Fi services to airline customers," said Alaska's Steve Jarvis, vp-market, sales and customer experience.

The Gogo system is currently being installed on one of Alaska's 737-800s, the company said, and after testing to secure FAA certification, it will be expanded fleet-wide, starting with the 737-800s Alaska uses on its longer routes.

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Oneworld alliance set to add India's Kingfisher Airlines

Five-year-old Kingfisher Airlines, which serves 58 cities in India, has signed a memorandum of understanding to become a full member of the global Oneworld alliance, which includes American, British Airways, Cathay Pacific, Japan Airlines and others. Existing Oneworld members currently serve five points in India, including Mumbai, Delhi, Bangalore, Chennai and Hyderabad. American currently operates non-stop service to Delhi from its hub at Chicago O'Hare. Kingfisher has applied with India's civil aviation authorities for approval to join the alliance, and after that is received, the airline's membership is expected to take effect sometime in 2011, Oneworld said. Kingfisher has a fleet of 66 planes, mostly Airbus jets, and carried 10.9 million passengers during the last fiscal year on a schedule of 383 daily

flights.

In other alliance news, an American Airlines executive told a Reuters airline conference in New York that Oneworld is in advanced talks with China Eastern Airlines to join the group, and that it is also close to an agreement to bring a Brazilian carrier - expected to be Brazil's Gol - into the group. And US Airways announced last week that it is seeking government approval to enter into a code-share agreement with Brussels Airlines, a deal that would give US Airways customers one-stop ticketing and check-in to more than 20 destinations in Europe and Africa via Brussels. Both airlines are members of the Star Alliance.

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British Airways faces another strike threat

It was bad news for anyone flying around Europe last week. First Lufthansa's pilots walked off the job for a four-day strike; they went back to work after just one day, but it still took Lufthansa the better part of the week to resume its full schedule. Then French air traffic controllers decided they needed a few days off to protest a European Union plan to consolidate traffic control; that job action caused the cancellation of about one-third of all flights into and out of the two Paris airports. And now British Airways cabin crew members are back in the news.

After a U.K. judge short-circuited their plans to go on strike over the Christmas holiday period, members of the Unite union last week took a new strike vote, and 80 percent of them agreed to give it another try. They were supposed to announce the intended strike date on February 25, but instead said only that they are continuing to talk with management. The cabin workers are angry about management's unilateral decision to cut staffing levels. The proposed strike plan calls for a walkout of at least 10 days, and the union has promised not to walk out over the Easter holidays.

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