

Airlines

Despite Tough Times—and American’s Bankruptcy—Airlines Are Doing Well

Despite tough economic times, soaring oil prices and American Airline’s recent bankruptcy filing, airlines are actually doing “quite well,” according to the October-November Airlines Financial Monitor put out by the International Air Transport Association. Although airline stock prices are down 40 percent so far this year, a sample of 60 carriers reported net profits of \$5 billion for the third quarter, IATA said. Passenger load factors are at all-time highs because airlines are managing capacity well, which keeps planes full and makes profits possible. However, profits are down and one major leading indicator—air freight business—is down 5 percent. So IATA remains cautious at best when it comes to looking into the future. (Source: IATA).

What Does American’s Bankruptcy Mean for Consumers?

Consumers will see no change from American Airlines’ bankruptcy, which was the only network carrier that had avoided bankruptcy. Because airlines compete primarily on price, it’s hard to compete with airlines that have restructured their costs without doing the same yourself. And that’s what airline bankruptcies are all about—restructuring debt. On the passenger front, it’s business as usual, right down to the AAdvantage loyalty program. The day after American said it was going into bankruptcy, it unveiled the interior design for its fleet of Boeing 777-300ER aircraft. It was part of the airlines’ effort to show how it is using restructuring to improve its fleet.

The bankruptcy will have an impact on employees—possible wage reductions (although the concessions American got from unions in 2003 enabled it to avoid bankruptcy then), work rule changes and cuts in benefits. American, however, has been encouraging its employees to move from its pension to 401k plans in recent years. (Source: industry interviews).

Two U.S. Airlines Start Using Biofuel

United Airlines and Alaska Airlines are flying flights using biofuel. Alaska is planning to fly 75 commercial flights in the U.S. using a 20 percent blend of sustainable biofuel made from used cooking oils. Its president and CEO, Bill Ayer, says that airlines are ready for biofuel and is saying to the biofuel industry: “If you build it, we will buy it.” United is also operating flights using biofuel and is negotiating to buy as many as 20 million gallons of jet fuel derived from algae oil, possibly as early as 2014. Biofuels remain prohibitively expensive, but throughout the nation, producers are developing feedstocks for biofuel. And Tom Vilsack, secretary of Agriculture, says that the agriculture department has been working with the energy department and Navy to invest in biofuels, which could bring costs down. (Source: airline press releases and news reports).

Airport Security Continues to Frustrate Flyers

Four of the top five gripes travelers’ voice today has to do with going through airport security, according to a study commissioned to mark the tenth anniversary of the Transportation Security Administration. The study, commissioned by the U.S. Travel, a non-profit group, found that the number one gripe is people who bring too many carry-on bags through security. Number two: wait times, followed closely by having to take off shoes, belts and jackets. The fourth was TSA employees who aren’t friendly. Even though travelers are frustrated, two-thirds said that they were generally satisfied with the TSA’s overall performance. And strong majorities support the TSA’s recent efforts to make passenger checkpoints more efficient. They think the TSA is on the right track with initiatives such as the new trusted traveler program, PreCheck, eliminating pat-downs for children and upgrading scanning software so it shows generic body images instead of personal body images. (Source: U.S. Travel press release)

Hotels

Business Travel Helps Boost Hotel Industry's Fortunes

Two different analyses of the hotel industry draw a relatively rosy picture for the hospitality industry and both credit business travel as a driving force behind the lodging industry's continuing recovery. PwC US, a major consulting company, is forecasting that the lodging industry will continue to improve despite general economic uncertainty. It said that the improvement reflects the resilience of business travel and corporate events as well as a gradually improving economic outlook overall. It all translates into an average daily rate increase of 3.6 percent this year and 5.2 percent in 2012. And TravelClick, which aggregates hotel reservations and sales, projects that all travel segments—business, leisure and group—will see moderate increases in demand and room rates for the next 12 months. (Source: PwC US and TravelClick press releases)

Rail & Car Rental

Customers Are Happier with Car Rentals

For the second year in a row, customer satisfaction with car rental has increased, according to the J.D. Power and Associates 2011 North America Rental Car Satisfaction survey. The study measured satisfaction with costs, pickup, return, the rental car, shuttle buses and the reservation process. Overall satisfaction averaged 758 on a 1000-point scale, up from 750 in 2010. Customer satisfaction increased across all six factors. ACE Rent A Car ranked highest, with a score of 793, while Enterprise followed, with a score of 787. National Car Rental was third with 768. The study found that the average wait time to pick up a rental car is 17 minutes, down from 20.5 in 2010. Satisfaction drops significantly when customers have to wait more than five minutes to get their vehicle. (Source: JD Power press release).

Amtrak Adds Free WiFi to California Routes

Amtrak now offers free Wi Fi on all three state-supported routes. Amtrak Connect is available on the Capitol Corridor, the San Joaquin and Pacific Surfliner routes. California state passenger rail agencies funded the Wi Fi with cost savings from completed rail projects. California ridership represents nearly 20 percent of all Amtrak passengers. (Source: Amtrak press release).



Spotlight On.....

What Bad Weather Could Cost Business

Recent weather events such as Hurricane Irene and an early fall storm in the Northeast are reminders that business has to plan for bad weather. The Global Business Travel Association created a model of what a Category 3 hurricane hitting the East Coast would cost:

- *Interrupted business trips would result in a GDP loss of about \$675 million.*
- *Lost federal, state and local taxes could total \$176 million.*
- *Because each U.S. business trip is correlated with \$56,000 in sales, such a storm would cause an interruption of \$32 billion in top line corporate revenue.*

The GBTA says that all players in business travel—corporations, airlines, airports, hotels and others-- have to prepare for the disruption a major storm like this could cause. (Source: GBTA press release).

Springdale Travel is committed to providing you with useful information on the latest developments in the travel industry. The above information has been compiled from a variety of sources and is updated monthly.