



INDUSTRY NEWS HIGHLIGHTS

Regulation

■ Second-stage negotiations on the **E.U.-U.S. open skies** agreement began on May 15, focusing on such issues as access to the U.S. domestic market, airline ownership rules and environmental policy. The next meeting will take place in September. If a consensus is not reached by November 2010, the entire agreement could fall through.

■ The United States and Australia signed an **open skies** agreement that removes limits on capacity and pricing between the two countries and allows U.S. and Australian carriers to code-share and cooperate commercially.



■ The **Federal Aviation Administration (FAA)** launched a review of compliance with air-worthiness directives after news that Southwest Airlines had failed to document a number of maintenance inspections on its planes, four of which were found to have cracked fuselage. Southwest, American Airlines and Delta cancelled hundreds of flights to perform emergency inspections, while the FAA was criticized for failing to enforce safety rules.

■ The U.S. **Department of Transportation (DOT)** said that airlines serving New York's Newark airport agreed to temporarily limit the number of flights to 83 per hour during peak periods (compared to 95 last year), starting in May. The move, designed to ease congestion, followed a similar agreement at New York's JFK airport that went into effect in March.

■ Seven U.S. airlines asked the DOT to waive rules that require them to maintain a certain level of service on international routes or risk losing their **traffic rights** on those routes. They cited "emergency circumstances" due to rising jet fuel prices. The DOT granted similar relief following 9/11.

■ The DOT granted antitrust immunity to Delta, Northwest and four of the airlines' partners within the **SkyTeam** alliance: Air France, Alitalia, Czech Airlines and KLM. The airlines will therefore be allowed to coordinate fares, services and capacity on transatlantic routes.

■ European and U.S. authorities launched a joint research project aimed at exploring **airline alliances**: their growth, impact on competition and changing role following the E.U.-U.S. open skies agreement. A final report will be published in mid-2009.

■ The European Union's **Single European Sky** project was criticized by the

European Low Fares Airline Association for "gathering dust for over 10 years." Members of the association called for the creation by 2010 of a single European aviation authority that would handle both traffic management and safety issues.

■ The European Parliament voted to toughen the definition of "parent carrier" within the the revised **E.U. Computer Reservation System (CRS) Code of Conduct**. This definition—any airline or train operator that "participates in the capital, effectively controls, or has the legal right to nominate any executive or any member of the board of directors, supervisory board or other governing body"—ensures that Amadeus shareholders Air France, Iberia and Lufthansa are covered by rules intended to promote fair competition.

Airlines

■ The International Air Transport Association (IATA) and many of its member airlines warned of a crisis in aviation as **fuel prices** continued to beat all records. At the end of May, the price per barrel of crude oil reached US\$135 while jet fuel prices were up 90 percent year over year. U.S. airlines announced higher fuel surcharges, capacity cuts, new charges (e.g. for checked bags) and layoffs in an attempt to offset rising costs.

■ Airline leaders attending **IATA's Annual General Meeting and World Air Transport Summit** in June unanimously signed a declaration calling for governments, airports and labor to take immediate action to help the industry survive the current financial crisis. Six specific calls to action were agreed upon. These concern airline ownership rules, taxes, air traffic infrastructure, business efficiency and union action.

■ At midnight on May 31, travel agents stopped issuing IATA paper air tickets as 100 percent **e-ticketing** came into force. Previously, the Business Travel Coalition and other industry associations expressed concern that travelers would face disruption and agencies extra costs because some airlines and global distribution systems were not ready for the deadline. In June, e-ticketing was still unavailable on some airlines and routes.



■ **Delta Air Lines** and **Northwest Airlines** announced a US\$17.7 billion merger that will create the world's largest carrier. The deal was promoted as pro-competitive, bringing together two distinct route networks with very little overlap. If approved by the U.S. Justice Department, the combined company will take Delta's name and be headquartered in Atlanta, Georgia.

Meanwhile, the two carriers obtained anti-trust immunity, allowing them to cooperate on transatlantic flights within the SkyTeam alliance.

■ **Air France-KLM** withdrew its offer to buy **Alitalia** after negotiations with the Italian carrier's unions broke down. The Italian government subsequently approved a €300 million (US\$477 million) loan, which critics said disregarded E.U. rules on state aid. The European Commission promised to investigate the legality of the loan.

■ **China Eastern Airlines** formally rejected Air China's bid to raise its stake while continuing to consider a link with Singapore Airlines.

■ **Continental** announced it would leave SkyTeam and join **Star Alliance** with **United Airlines** as a partner. The carrier will request anti-trust immunity from the DOT to work closely with alliance partners on international services.

■ **British Airways (BA)** apologized to passengers for large-scale flight delays and

cancellations, as well as poor luggage handling at Heathrow's new **Terminal 5**, which opened on March 27. Other members of the **oneworld** alliance will consolidate in neighboring Terminal 3 by 2009. Meanwhile, **Star Alliance** outlined its plans to move all its members into Terminal 1 by 2012.

■ BA also launched **OpenSkies**, the first airline created specifically to take advantage of the E.U.-U.S. open skies aviation agreement. Its first daily service between Paris and New York took off in mid-June.

■ **Cathy Pacific** said it would improve comfort in economy class by retrofitting planes with a new fixed-back seat that reclines without intruding on passengers seated just behind.

Hotels

■ A 2007 hotel benchmark survey by consulting firm Deloitte reported that revenue per available room (RevPAR) in **Europe** grew by 6.6 percent to €85 (approximately US\$135). Central and Eastern Europe saw the largest increase (6.9 percent), followed by Northern Europe (6.4 percent) and Western and Southern Europe (6.3 percent). Across Europe, occupancy grew by 1.2 percent to 70.1 percent while average room rates rose by 5.3 percent to €121 (approximately US\$190).

■ In the **United States**, Smith Travel Research said occupancy dropped 0.2 percent in 2007, while average room rates increased by 5.9 percent to US\$103.64 and RevPAR by 5.7 percent. Hotel room supply grew by 1.4 percent. For 2008, the company predicted 2 percent growth in room rates and 4 percent growth in RevPAR against declining occupancy.

GDSs

■ **Amadeus** extended through 2010 the full-content option it introduced in 2005 in Europe. Already, 34 airlines have signed up for the program, including Air France-KLM, Alitalia, Air Europa, Iberia, Malev and TAP Air Portugal. A further 29 airlines have signed one-year, full-content agreements that enable users to access their full inventory with no GDS surcharge.

■ Associations of travel agents and travel managers in Austria, Germany and Switzerland advised members not to sign **“Preferred Fares” contracts with Lufthansa and Swiss International Air Lines**, which introduced a €4.90-5 (US\$8) “opt-in” surcharge on certain fares booked through GDSs. Sabre subsequently said an extended agreement with the airlines would dispense agents from paying the new surcharge through June 2009, providing they sign up for Preferred Fares. Travelport (Galileo and Worldspan) waived the surcharge for their users.

Amadeus questioned whether the airlines met the legal requirement to treat all GDSs equally.

■ In the United Kingdom, the Guild of Travel Management Companies asked members to boycott **easyJet bookings via GDSs** in a dispute over the €12 (US\$18) that the no-frills airline charges for bookings through Amadeus and Travelport. Sabre does not carry easyJet inventory.

■ Sabre also launched a **Virtual Miscellaneous Charge Order (vMCO)** to allow agents to book flights and other transactions that cannot yet be ticketed electronically. The solution arrived at the end of May as the IATA deadline for 100 percent e-ticketing came into force.

Sustainable travel

■ The European Parliament’s Environmental Committee agreed that all flights within, leaving or landing in the European Union must adhere to its **emissions trading scheme** starting in 2012. The committee also decided to lower the carbon emissions cap to 90 percent of 2004-6 levels and to allow only 10 percent of emissions credits to be traded freely.

■ IATA signed a historic agreement to tackle climate change at the 3rd Aviation and Environment Summit in Geneva, Switzerland. The association committed to a **25 percent fuel efficiency**

improvement target by 2020 as part of its vision for a carbon-free industry.

■ **Europe’s Clean Sky research program** was launched in February. Funded equally by the European Commission and industry, the program aims to reduce the environmental impact of aviation by developing advanced technologies for aircraft entering service after 2015.

■ A survey published by the **Association of Corporate Travel Executives (ACTE)** and KDS, Europe’s leading travel management software company, reported that 34 percent of surveyed companies have a sustainable travel policy, while a further 34 percent say they are in the process of creating one. Thirty-five percent say their travel department now provides senior executives with reports on carbon emissions, up from 20 percent in 2006.



■ The Hotel Carbon Index Company launched an environmental benchmark called **Carepar (Carbon Emission Per Available Room)** to help hoteliers and travel arrangers understand the carbon emissions associated with hotel stays. The Carbon Consultancy will manage the information gathered in the benchmark. [n](#)