



## INDUSTRY NEWS HIGHLIGHTS

### Regulation

■ The U.K. Competition Commission ruled that “significant competition problems” at each of the seven U.K. airports run by **BAA Airports** have “adverse consequences for passengers and airlines.” The commission will decide by first quarter 2009 whether BAA should sell some of its airports, including London Heathrow. Virgin Atlantic said it would make a bid for Gatwick if it is for sale.

■ In a move to ease **airport congestion**, the U.S. Department of Transportation (DOT) introduced a rule permitting airports to vary the fees payable by airlines depending on the time of day, thereby providing an incentive to better spread flights throughout the day. Currently, landing fees are based simply on plane weight. Many airports will have to wait until their current agreements with airlines expire before implementing the new rule.

■ The European Commission launched a consultation with rail operators, airlines, GDSs and rail booking systems on the possibility of **integrating rail and air ticketing**. The EC envisages rail companies joining the International Air Transport Association (IATA), participating in Billing

Settlement Plans and paying GDS operators reservation fees.

■ DOT authorized **Delta Air Lines** and **Northwest Airlines** to expand their code-share program on transpacific flights, beginning August 30. The two carriers also received anti-trust immunity for their planned merger from the EC but are awaiting a decision from the U.S. Department of Justice, which is expected by the end of the year.

■ DOT denied requests from Alaska Airlines, American, Continental, Delta, Northwest and US Airways for a temporary blanket waiver on **dormancy conditions** to enable airlines to cut back services without losing the right to serve affected routes. Requests will be reviewed on an individual basis to best serve the public interest.

■ The U.S. Department of Homeland Security introduced an **electronic visa waiver service**, requiring airline passengers to the United States who do not require a full visa to register online at least 72 hours before travel. The electronic system for travel authorization (ESTA) will become compulsory starting on Monday, January 12, 2009. Each visa will remain valid for two years from the date of issue.

■ The United Arab Emirates and Jordan signed a memorandum of understanding on an **open skies** agreement. At the same time, Abu Dhabi-based Etihad Airways said it was seeking an open skies agreement with Canada.



### Airlines

■ In September, IATA **forecast airline losses** of approximately US\$1.4 billion worldwide in 2009 if oil prices for the year average US\$95 per barrel. At US\$113 per barrel, losses could reach US\$5.2 billion. Meanwhile analysts, including J.P. Morgan and UBS, predicted airlines will return to profitability and even make record gains if oil prices continue to fall.

■ The world's airlines will offer **451,000 fewer flights** in the fourth quarter of 2008 (-6 percent), compared to the same year-earlier period, and 21.4 million fewer seats (-5 percent), according to an

analysis released by the Official Airline Guide (OAG) in October. There will be 265,000 fewer domestic flights in the United States (-11 percent) and **21.4 million fewer seats** (-9 percent). The number of intra-European flights will drop by 5 percent. Within Asia, the number of flights will drop by 7 percent and the number of seats by nearly 6.5 percent (-15.3 million seats). These cuts mean 219 of the world's airports will lose scheduled air service altogether: 33 in the United States, 94 in Asia Pacific and 45 in Europe. The report noted, however, that "this picture could change quickly as airlines are extremely vulnerable and quick to react to economic downturns and subsequent shifts in market demand."

■ The U.K.-based Institute of Travel Management and Guild of Travel Management Companies published an open letter to buyers, travel management companies and airlines urging airlines to either include fuel surcharges in corporate deals or make them refundable on all unused tickets. Currently, several carriers refuse to refund **fuel surcharges** on non-refundable tickets, while others treat it as a refundable tax.

■ **British Airways (BA), American Airlines and Iberia Airlines** hit back at claims by **Virgin Atlantic** that

their proposed joint venture for transatlantic flights would create a "monster monopoly." The three carriers have applied to DOT for worldwide antitrust immunity, based on a combined 44 percent share of the London Heathrow-U.S. bookings, not 62 percent, as claimed by Virgin Atlantic. The figures are based on marketing information data tapes (MIDT), which record bookings from GDSs and third-party online bookings.

■ Separately, **BA** said it was pursuing merger talks with **Iberia**. BA also announced it would integrate newly acquired **L'Avion** into its **OpenSkies** airline.

■ Nine **Star Alliance** member airlines filed an application with DOT to cooperate closely with **Continental Airlines**, thereby extending their existing antitrust immunity. In addition, **Air Canada, Continental, Lufthansa and United** requested authorization for a transatlantic joint venture, while Air Canada and



Continental submitted an application for code-sharing in North America.

■ Germany's **Lufthansa** made a successful takeover bid for **Brussels Airlines** in a deal that could pave the way for Brussels Airlines to enter Star Alliance. Lufthansa also confirmed it was interested in buying part of **Austrian Airlines**.

■ **Alitalia's** unions agreed to a takeover by Italian investment group Compagnia Aerea Italiana at the end of September, just days after the carrier suspended flights and appeared on the brink of collapse. The deal now requires approval by the EC.

■ The EC approved a privatization plan for Greece's **Olympic Airlines**, which must find a buyer by the end of the year. The commission also ordered the airline to pay back €850 million (US\$ 1.2 billion) in state aid.

■ The National Business Travel Association (NBTA) published its first **airline request for proposal template**, aiming to standardize and streamline the bid process for airlines and travel buyers.

### Air safety

■ August and September were a black period for airlines. Nearly 150 people were killed when an MD-82 plane operated by **Spanair**

crashed during takeoff at Madrid Barajas International airport. A few days later, an **Air Dolomiti** plane caught fire at Munich airport, and an **Itek Air** plane crashed shortly after takeoff from Kyrgystan's capital Bishkek. In September, all 88 passengers of an **Aeroflot Nord** flight died in a crash near Perm in Russia.

■ Air safety concerns were highlighted also when a **Ryanair** flight made an emergency landing in France following a loss of cabin pressure. Passengers' claims that **oxygen masks** failed to inflate underscored a need to clarify safety instructions as masks can work correctly without inflating. Meanwhile, several **Qantas** flights were involved in safety incidents, prompting Australia's aviation regulator to conduct a special audit of the carrier's maintenance records.



■ The Federal Aviation Administration (FAA) fined **American Airlines** US\$4.4

million in addition to a US\$2.7 million fine levied in May for alleged safety violations linked to deferred maintenance work. At the same time, the FAA confirmed its US\$10.2 million fine imposed on **Southwest Airlines** in March following the carrier's failure to conduct routine inspections.

■ The U.S. Transportation Secretary Mary Peters ordered the **FAA** to implement 13 recommendations made by an independent review team to improve its safety program. Separately, the FAA said its audit of U.S. airlines revealed 98 percent compliance with airworthiness directives.

### Passenger rights

■ The EC introduced new rules to help **disabled and elderly travelers**. European Union airports and airlines must now provide services such as carrying wheelchairs and enabling priority boarding free of charge. About a third of the EU population suffers from reduced mobility.

■ The "**Air Service Improvement Act of 2008**" entered the U.S. House of Representatives. If the bill is passed, airlines will be required to submit plans detailing how they would

service passengers onboard delayed aircraft and how they would deplane passengers in the event of an extended delay.

■ The Canadian government passed a **bill of rights** for airline passengers allowing them to deplane after a 90-minute delay in taking off. The new law also requires airlines to provide delayed travelers with updated flight information, as well as meal vouchers for delays of four hours and hotel vouchers for delays exceeding eight hours.

### Traveler services

■ A study conducted by Amadeus revealed that travelers at 89 percent of surveyed companies use their mobile devices to send and receive email and 69 percent to access the Internet. Amadeus said travelers' use of mobile devices paves the way for the adoption of **mobile services** in travel management, although the technology still needs improvement.

■ In September, Air France introduced **electronic boarding passes** on mobile devices. The service was limited to passengers on Paris-Amsterdam flights and required travelers to check in via the airline's mobile Internet site to receive a secure barcode.

■ Air Canada became the latest airline to announce **in-flight Internet** access using Aircell's network. Aircell has also signed deals with American Airlines, Delta Airlines and Virgin America.

■ Emirates plans to introduce bathrooms on its new Airbus A380s, enabling each of the 14 passengers in first class to take a **shower** lasting up to five minutes. Virgin Atlantic Airways has also expressed interest in this amenity.

■ Marriott International began installing **Nintendo Wii** consoles in selected properties. Guests staying in a Wii room will pay extra for access to fitness programs and video games.

## Hotels

■ In September, PKF Hospitality Research predicted a 3.5 percent rise in U.S. hotel supply in 2009 against a 1.1 percent drop in demand. The consulting company predicted **58.7 percent average occupancy**—down from the 61.4 percent forecast for 2008—and a 1.3 percent rise in the average daily rate.

## Ground transportation

■ **Air France-KLM** announced plans to run a **high-speed rail** service

between London and Paris by October 2010 after new "open access" laws end Eurostar's monopoly. In addition, the airline is planning a service between Paris and Amsterdam.

German rail company **Deutsche Bahn** has also expressed interest in running a service between London and Cologne.

■ The six member states of the **Gulf Cooperation Council**—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates—were studying the feasibility of a **rail link** with Turkey, potentially via Jordan and Syria. Observers pointed out that numerous other rail projects have failed to materialize.



■ **Europcar** expanded its strategic alliance agreement with **Enterprise Rent-A-Car**, which owns **National** and **Alamo** in North America. This agreement will allow the

companies to take a coordinated approach to global corporate accounts and offer harmonized loyalty programs for travelers crossing the Atlantic.

## GDSs

■ The European Parliament voted in favor of changes to the **Computer Reservation System (CRS) Code of Conduct** that include a clearer definition of "parent carrier" to ensure Amadeus shareholders Air France, Iberia and Lufthansa are covered by rules intended to promote fair competition. The reform must now go before the European Council of Ministers.

■ British carrier **easyJet** bowed to industry pressure, announcing it would lower the fee it charges for booking through a global distribution system from €7.50 (approximately US\$10) to €4 (US\$5.50) per segment.

■ **V Australia** launched its own travel agent payment and settlement system as an alternative to IATA's billing and settlement plan (BSP), which the airline was not authorized to use before acquiring an operating certificate. Agents in Australia and New Zealand can now book V Australia flights via GDSs and settle payments directly with the carrier.

### Sustainable travel

■ In September, Federal Aviation Administration (FAA) officials gathered in San Francisco to promote new environmentally friendly procedures for air traffic control using satellite-based global positioning system (GPS) technology. A flight operated by Air New Zealand demonstrated techniques such as reaching high-altitude cruising more quickly and making a long, gradual descent toward the airport to not only burn less fuel but also reduce noise pollution. The FAA intends to convert the U.S. traffic control system from radar to GPS technology by 2025 as part of its **Next Generation Air Transportation System** (NextGen). The administration is also working with authorities in Asia and Europe to develop complementary solutions.

■ The **International Civil Aviation Organization** launched a **carbon calculator** on its Website based on methodology it is recommending to IATA as a global standard. The calculator uses only publicly available and verifiable information such as aircraft type, route-specific data, passenger load factors and cargo carried, and distinguishes between economy and other classes.

■ Boeing and Honeywell subsidiary UOP have founded the **Sustainable Aviation Fuel Users Group**, a taskforce that will work with the World Wildlife Fund and Natural Resources Defense Council to accelerate the development of sustainable aviation fuels. The first airlines to join the group include Air France, Air New Zealand, All Nippon Airways, Cargolux, Gulf Air, Japan Airlines, KLM, SAS Scandinavian Airlines and Virgin Atlantic Airways.

■ Sustainable Cards launched the United States' first **wooden hotel key card** in an effort to reduce the negative environmental impact of traditional plastic cards. The company says that by switching to biodegradable wood, hotels and resorts in the United States could collectively reduce plastic waste by 1,300 tons annually.

