

IN BUSINESS Las Vegas

June 27 – July 3, 2008

Tourism and Gaming

Aviation survey confirms what we already knew

By [Richard Velotta / Staff Writer](#)

The planes are full, but capacity is crashing. Airline employees aren't sure if their next trip will be to the Bahamas or to the unemployment line.

We all know what that means: It's cranky time at the local airport.

J.D. Power and Associates, the California company that measures consumer attitudes toward everything from air travel to health care plans, recently released results from its study of North American airlines. You can guess by its title - "Heavy Weather Ahead ..." - that the results aren't pretty.

J.D. Power measures customer satisfaction on seven fronts: reservations and scheduling; cost and fees; check-in; boarding, deplaning and baggage; aircraft; flight crew; and in-flight services. The company's study is based on responses from 19,701 passengers who flew on a major North American airline between April 2007 and March.

Based on the scores, J.D. Power ranks the airlines and categorizes them as traditional major airline or low-cost carrier. Familiar names again top the lists. Among traditional major airlines, Continental ranked highest for the third consecutive year, tying this year with Alaska Airlines.

Among the low-cost carriers, JetBlue Airways ranked first for the fourth consecutive time, also ranking first overall among all carriers.

JetBlue had top ratings in every category except reservations and scheduling.

Alaska scored high in boarding, deplaning and baggage; flight crews; scheduling; check-in; and aircraft interiors, while Continental fared well in in-flight services and costs and fees.

Finishing below Alaska and Continental and above the average rating were Delta Air Lines and Air Canada, while the bottom four spaces, all below average, were occupied by American, US Airways, Northwest and United.

In the low-cost category, three airlines ranked below JetBlue and the industry average: Southwest, Frontier and AirTran.

Southwest lost its battle with JetBlue in the category of in-flight services; Southwest was last in the category, and JetBlue was first.

Although the rankings always make for good debates and water-cooler conversation, J.D. Power's other findings and comparisons to last year may be the most intriguing aspect of the report.

Some of the key patterns:

- Price declined as the most frequently reported reason for choosing a carrier in 2008, down to 39 percent of respondents. That says that passengers are paying more attention to what they get - or don't get - when they fly.
- More passengers are making flight reservations online, increasing from 87 percent in 2007 to 92 percent in 2008. Again, no surprise here. With fees going up for booking a reservation through a call center or at ticket counters, it's no wonder that more people are making their transactions online. US Airways announced last week, for example, that it would cost \$25 to book a domestic reservation and \$35 for an international trip by phone, compared with \$15, and \$35 for domestic and \$45 for international instead of \$20 for them at airport or city-based ticket counters.
- Most reservations are made on airline Web sites, with traditional network carriers getting 66 percent of their reservations, up 15 points from 2007, and 85 percent, up from 78 percent in 2007, on low-cost airlines. Consumers have seen the reality that sites such as Orbitz and Travelocity take commissions that don't have to be paid if you go directly to the airline site. In addition, some travelers are locked into their loyalty programs or simply know and understand the airlines better than they did and are taking advantage.
- Although complimentary meals are the most desired amenity for pre-Boomer, Baby Boomer and Generation X air travelers, in-flight movies are most desired by Generation Y passengers. Look for some possible change in this category next year or the year after as more airlines work to add online access to their amenities.

The percentage of travelers who say they chose a particular carrier because of its rewards program has increased to 22 percent in 2008 compared with 14 percent in 2007. Southwest has repeatedly had the most popular loyalty program in the industry. It will be interesting to see how many passengers abandon their loyalty programs as airlines begin chipping away at benefits or making it harder to accrue miles.

The J.D. Power study is one of the more credible out there and the results make for interesting reading.

It would be even more interesting if it included ratings for high-flying newcomer Virgin America and Las Vegas-based Allegiant Air, which continues to amaze many industry watchers as the only other significant carrier to make money last year.

In other tourism news:

Scary predicament- Aviation expert Mike Boyd's scary analysis of the state of the industry contains a few factoids worth sharing.

Boyd, the Evergreen, Colo.-based head of the Boyd Group, made several key points as the industry gears to face the prospect of \$150-per-barrel oil costs:

- Domestic airline fares did not go up between 2000 and 2007. On average, consumers paid \$188.16 for tickets in 2000 compared with \$181.91 in 2007. Ticket prices simply haven't gone up because the industry is so competitive and every fare increase faces the prospect of being rescinded because of the fear that some competitor is going to steal market share.
- Because taxes and fees have gone up for airlines - and many of them haven't been passed along to passengers - airlines took in less per passenger in 2007 than they did in 2000. At a time when the price of fuel went from 76.5 cents per gallon in 2000 to an average \$2 a gallon in 2007, airlines took in \$156.13 in 2007 compared with \$168.08 in 2000.
- The cost of fuel per passenger went from \$31.77 in 2000 to \$74.03 in 2007, Boyd said.

Here's Boyd's latest breakdown of where the money paid for an airline ticket goes:

The average ticket price, as of June 1, was \$191. After taxes and government fees, the airline gets \$166.17. At current jet fuel prices of \$3.50 a gallon (and that's low now), fuel cost per passenger is about \$138.80. That leaves \$27.37 for everything else - the salaries of pilots, flight attendants, gate and ticket-counter workers as well as those airline executive salaries we've all heard about and dividends to shareholders.

Boyd predicts that more capacity reductions are ahead - especially in leisure markets where the profit margins aren't as great - and higher ticket prices. He noted that low-cost carriers aren't immune from the problem.

"Write this down," Boyd said in a recent report. "Any industry that depends on air transportation to deliver a high percentage of its customers and revenue streams will need to rethink its business strategy. Orlando (Fla.) is a prime example. In the near future, the plethora of seats and flights and low fares lavished on Orlando International Airport and Orlando Sanford International Airport will begin to evaporate. Las Vegas is in a similar situation."

Here's another scary matter to contemplate. This summer, airplanes are full. But because many passengers bought tickets before fuel prices really took off, most of the full flights aren't profitable.

Clark County Aviation Director Randy Walker has often said when an airline pulls flights out of Las Vegas, another carrier picks up the slack. The only problem now is airlines that picked up the slack in the past may not have the capability of doing so in the current environment.

In Las Vegas, the real-life example is the capacity cuts announced recently by US Airways. The Phoenix-based carrier is whacking nearly half its flights by the end of the year. Would Southwest Airlines - the busiest carrier at McCarran International Airport and one of the airlines best equipped to handle the crisis - pick up the slack? How about Allegiant Air, the only other airline of substance to make a profit last year?

Southwest Chief Executive Gary Kelly told Bloomberg News recently that his company is considering expanding its fleet next year as its competitors shrink. Kelly said Southwest is considering keeping as many as 10 of its older planes scheduled for retirement in 2008 and then adding 14 new jets in 2009.

He said airline executives haven't decided what its plans are yet, and the company is watching what carriers such as United, American and US Airways do. As a financially sound carrier, Southwest has the advantage of being able to hedge fuel costs - that is pay in advance at a lower cost. About 70 percent of Southwest's fuel is hedged at \$51 a barrel, a huge advantage.

Southwest has a track record of taking advantage when a competitor stumbles. Most recently, the airline bulked up its flights in and out of Denver after Denver-based Frontier Airlines filed for bankruptcy protection and United, which has a Denver hub, announced major cutbacks.

Will Southwest Airlines ride to Las Vegas' rescue? Is there a danger in having one carrier account for so much of a city's flights? Southwest currently has more than 40 percent of the market share of seats coming into Las Vegas.

Stay tuned. It looks as if things are going to get even more interesting.

Popular "Deltalina" - Joanne Smith was hired by Delta Air Lines to get its Song discount subsidiary off the ground.

Delta jettisoned Song when it went through Chapter 11 bankruptcy, so now Smith has what may be an even more daunting challenge with Delta - to reenergize the brand and build enthusiasm with new employees being added in the airline's merger with Northwest Airlines. And she has to do that with a minimal budget.

One way Delta has boosted its image was on good old YouTube. Delta's most recent preflight safety video landed on the popular video Web site about three months ago. The company needed a new video because it was taking delivery of an aircraft type it hadn't used before so the airline auditioned interested flight attendants to star in the video.

Delta ended up choosing Katherine Lee, who has now been dubbed "Deltalina" because of her resemblance to Angelina Jolie. As of last week, the video had been viewed almost 1 million times. Viewers apparently are engaged by Deltalina's finger-wagging midway through the video when she warns passengers to be sure to follow all the rules.

If only all of aviation's problems could be solved by putting a few videos on YouTube.

Addressing the recent **Association of Travel Marketing Executives** conference in Las Vegas, Smith said only now is Delta approaching pre-9/11 fares at a time when record fuel costs are decimating the industry.

Smith said the post-Chapter 11 Delta is joining the industry in cutting capacity with most of its reduction in small cities served by its Delta Connection commuter partners, while expansion occurs in international flying.

Delta is carrying record loads, had a record May and has healthy summer bookings. The airline recently introduced new service to Stockholm, Sweden; Malaga, Spain; Cairo, Egypt; Amman, Jordan; and Kuwait City.

Smith said Delta's goal is to win Justice Department approval of its merger with Northwest by November and eliminate Northwest's brand next year.