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Cover story

# 'Simplified' ticketing is not so simple for all fliers

But most last-minute plane tickets are no longer so costly

By Marilyn Adams  
USA TODAY

In the new world of airfares, Tony Randall is one of the lucky ones.

Fares had been so high at Randall's local airport in Greenville, S.C., that the machine salesman routinely drove 250 miles to fly from Raleigh/Durham, N.C. There, discounter Southwest Airlines keeps fares in check.

After Delta Air Lines cut some of its business fares and simplified its ticket pricing a month ago, Randall says he was "shocked" to see Delta's and US Airways' last-minute fares at Greenville fall hundreds of dollars overnight. He'll fly from Greenville from now on.

"My life is going to be much more convenient," he says.

That's not true for everyone. While Delta boasts that its new pricing scheme is refreshingly simple, the airfare environment it has helped shape is anything but. During the first week of 2005, No. 3 Delta and No. 1 American rocked the travel industry, announcing simplified pricing schemes that mimic those of profitable discounters. In one stroke, Delta streamlined and cut domestic fares for millions of its customers. The biggest beneficiaries: business travelers who book at the last minute and had to pay the highest fares.

American followed Delta with a less deeply discounted ticketing version of its own. With the two industry giants jumping in, 60% of U.S. domestic airline tickets are now sold under simplified pricing.

But buying airline tickets has not suddenly become simpler and cheaper for everyone, everywhere in the USA. Behind the industry hype of deep discounts and simpler fares lies a nuanced and complicated ticket-buying landscape, consumer advocates say. Deep price cuts highlighted by Delta and American benefit a relatively small percentage of travelers. Prices on routes where one airline dominates remain high. Claims by competitors who said they'd match fare cuts by Delta and American have proved only partly true.

Discounters, in general, continue to beat traditional airlines in selling a bigger share of their tickets at rock-bottom prices.

What has changed in the new era of simpler fares is this: Sky-high fares for last-minute tickets have tumbled.

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By Frank Pompa, USA TODAY

## New pricing pushes many costs down

New pricing unveiled by Delta and American during the first week of 2005 drove down average business and leisure fares. Changes in one-way fares, Jan. 10 vs. Dec. 13:

Airline	Business	Leisure	United	US Airways	America West	Overall avg.
American	▼39%	▲2%	▼14%	▼3%	▼19%	▼25%
Continental	▼41%	▼10%	▼3%	▼19%	▼5%	▼7%
Delta	▼34%	▼5%	▼1%	▼5%	▼7%	▼7%
Northwest	▼19%	▼11%	▼1%	▼5%	▼7%	▼7%

Source: Harrell Associates, based on 100 major domestic routes



# Airfare system changes may mean alterations in corporate contracts

Travelers have greater flexibility with the fading of Saturday-night stay requirements. The price spread has greatly narrowed between the most- and least-expensive tickets on any given flight. Some employers who buy air travel in bulk for employees are finding less incentive to contract with airlines.

In contrast with Randall's good fortune, there's been no upside for Denis Wolowiecki, a consultant who flies every week from his home in Cleveland to Houston, a route Delta doesn't serve. Continental Airlines, which dominates the route, hasn't dropped fares, Wolowiecki says. The round-trip fare remains \$1,018, before his corporate discount. "There hasn't even been a blink," he says.

## A definite change

Delta's announcement of what it calls its "SimpliFares" represents significant change from the decades-old system of pricing airline tickets at traditional carriers.

Airlines such as Delta, American and United have maximized revenue by charging business travelers, who often need to buy tickets at the last minute, the highest fares. At the same time, airlines rewarded companies that bought lots of tickets with fare discounts.

The big airlines offered the cheapest fares to fliers willing to stay Saturday night at their destinations, effectively ruling out business travelers. Meanwhile, a single flight might contain dozens of fares, with the top fare in coach as much as five times higher than the lowest.

For years, low-cost carriers such as Southwest, AirTran and more recently, JetBlue, had been bringing low-fare service to more cities, forcing the biggest airlines to cut fares to compete. Delta, whose network overlaps those of AirTran, JetBlue and Southwest, was under pressure to change.

Today, Delta offers six fares in coach class and two in first class on domestic trips. SimpliFares don't affect international flights or the Northeast Shuttle serving Boston, New York and Washington. Last-minute coach tickets cost a maximum of \$499 one way or \$998 round trip. In first class, the maximum is \$599 one way.

American's new structure offers eight coach fares, but its one-way maximum is \$699 one way in coach class. Both eliminated the Saturday-night stay requirement for the cheapest fares.

Delta CEO Jerry Grinstein says a traditional carrier like his has no choice but to embrace elements of

the simple, low-fare airline business model that has brought success to discounters like Southwest, AirTran and JetBlue.

"For Delta to survive, we must develop a fundamentally different way of doing business," Grinstein said when Delta posted a record \$5.2 billion loss for 2004.

## Timing scrutinized

UBS analyst Robert Ashcroft estimates that the price changes could cost Delta half a billion dollars this year in revenue, not to mention the other carriers that have matched their fares. Delta executives say they believe the new fares will cost Delta in the short term but be positive over time as the company cuts costs, attracts more customers and wins back business travelers from discount airlines.

Regardless of the effect on the airlines and their investors, implications of the new pricing for consumers are widespread and, in some cases, unexpected:

► **"Matched" fares.** When Delta and American cut selected fares, many competitors said they'd match. But experts such as consumer advocate Terry Trippler say the matched fares offered by other major airlines are sometimes matches in name only — fares technically for sale but so limited in number or restrictions, they're hard to find or impractical to use. Even when major airlines match Delta's fares to the dollar, flights on discount carriers are often cheaper.

► **Corporate contracts.** Companies that buy large numbers of tickets for their workers traditionally have worked with airlines under complex contracts filled with incentives and penalties.

Now, the rules have abruptly changed. Delta and American are hastily fanning out to corporate clients, rewriting contracts and limiting or eliminating discounts because their fare restructuring has slashed prices for last-minute business travelers.

► **Leisure travel.** Simplified fares won't save the typical leisure traveler money because advance purchase ticket prices were already so cheap. An analysis by Back Aviation Solutions shows the least expensive fares available on Delta right before the Jan. 5 announcement haven't changed.

But trips for the budget traveler might be easier to plan now that a Saturday-night stay isn't required.

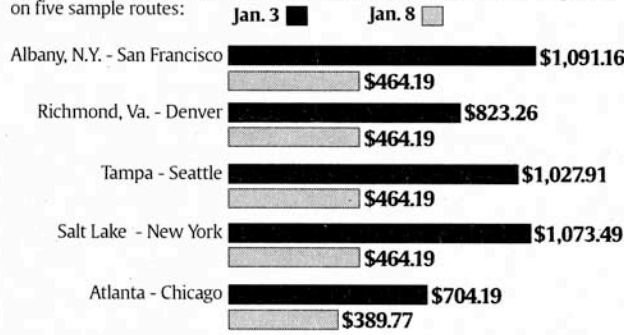
## Corporate confusion

Corporate travel managers, keepers of every company's travel budget and airline contracts, are on the front lines of the new fare systems. Since Delta's announcement, travel departments have been

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## Changes in Delta airmiles

On Jan. 5, Delta slashed fares for last-minute ticket purchases, which are the most expensive. Old and new prices for one-way coach walk-up fares on five sample routes:



Source: Airline Tariff Publishing via Back Aviation Solutions

By Adrienne Lewis, USA TODAY

scrutinizing their contracts and waiting for airlines to explain what the changes will mean.

Kevin Mitchell, who runs a corporate travel advocacy group called the Business Travel Coalition, says when an airline simplifies its fare structure, it triggers "an unending number of policy questions." What, for example, do Delta's new fares mean for a company's contract with the airline? What do they mean for contracts with other airlines?

Delta has told Buffalo-based Rich Products, the \$2 billion-a-year maker of Coffee Rich creamer, that its double-digit corporate discount is gone, says Jean Covelli, Rich's travel administrator. Because SimpliFares offer a better deal than the old corporate discount, Covelli says she doesn't mind. Under the old scheme, for example, Delta's top coach fare from Buffalo to Los Angeles was more than \$900 one way, even with Rich's corporate discount. The same trip on Delta today: \$549 including tax.

Some corporate travel experts such as Mitchell say simplified fares and the reduction of corporate discounts make corporate contracts, and loyalty to one airline, unnecessary. "Corporate discounts were a silly game," he says. Airlines, he says, charge business fliers sky-high fares on one hand and give them discounts on the other.

Delta officials argue the corporate contract is not obsolete. Pam Elledge, Delta's vice president for sales, says domestic corporate discounts aren't being eliminated. Further, Delta offers companies other benefits: an international network, airport clubs and help getting groups of employees to the same event.

### Price match, rule difference?

If corporate travel managers are struggling with the implications, it can be harder for the individual traveler. Tripler, president of travel

information site TerryTripler.com, says many passengers don't understand subtle differences that can arise in fare rules. Comparison shopping is essential, he says.

Although other airlines say they are matching Delta's fares, technically, that isn't always so, he says.

For example, the supposed matched fare might be priced the same but be non-refundable as opposed to refundable. Or the good price might be "capacity-controlled," meaning it applies to only a few seats on the plane, which sell out quickly.

"They may match the price, but not the rules," Tripler says.

That was the case with several trips Tripler checked last week. Delta, for example, offered a refundable, one-way fare of \$499 from New Orleans to Seattle, a trip that requires a connection. Although the same fare might be available with restrictions on other carriers, the fully refundable fare on American was \$699, United's was \$1,012, and Northwest's, \$1,013, Tripler said. Continental matched with a fully refundable \$499.

Despite some dramatic fare cuts, Delta doesn't necessarily have the lowest fare on a given route. Sometimes, the fare on a discount carrier is lower.

"Fares overall are lower, and carriers are matching each other, but that doesn't mean Delta is a low-cost carrier," says consultant David Beckerman of Back Aviation.

For example, Delta's highest last-minute fare from Atlanta to Tampa was \$481 one way on Jan. 3, two days before Delta's fare overhaul. By Jan. 8, it had dropped to \$343, Beckerman said. But the fare on discounter AirTran Airways was \$208.

"Delta is counting on AirTran running out of seats" at that price, says Beckerman, who once worked in Delta's pricing department.