



Posted 5/8/2005 10:10 PM Updated 5/9/2005 3:22 AM

Independence Air forcing lower fares to, from D.C.

By Marilyn Adams, USA TODAY

Little discounter Independence Air is having a big impact on airfares to and from the lucrative Washington, D.C., market, forcing bigger, financially ailing competitors to match its low prices.



The Independence Air check-in at Dulles.

By Alex Wong, Getty Images

It's unclear whether Independence can continue flying while racking up big losses. But for now, 10-month-old Independence is the largest force driving down airfares along the East Coast.

"The East Coast has become a substantial battleground," says John Tague, chief marketing officer for United Airlines, which competes directly with Independence at Washington Dulles airport.

For 14 years, Independence flew as Atlantic Coast Airlines, a regional feeder carrier for United at Dulles. But when United, in bankruptcy reorganization, sought to cut Atlantic Coast's payments, the two parted ways and became competitors.

Independence, which operates 220 daily flights from Dulles, recently offered sale seats midweek from \$29 one way to Florida and \$69 one way coast to coast, prompting heartburn at competitors.

According to consultant Harrell Associates, Independence's leisure fares are cheaper than any in the last several years to Atlanta, Boston, Charlotte, Chicago and New York.

Executives at Delta recently grumbled that Independence's fares are lower than those charged by Delta nemesis AirTran. But AirTran is complaining, too. "Independence is having a disproportionate impact on pricing," CEO Joe Leonard said in an interview. He called it "panic pricing."

GETTING THERE FOR LESS

Here are the cheapest one-way fares from Washington, D.C., on sample routes as of May 5. Independence Air flies from Dulles. Other fares may be from Reagan Washington or Baltimore/Washington.

Destination	Ind. Air	Next cheapest flight
Chicago O'Hare	\$54	\$56, AirTran
Boston	\$39	\$54, AirTran, Delta
Charlotte	\$54	\$54, AirTran
New York	\$44	\$44, United
Atlanta	\$59	\$59, AirTran
Detroit	\$54	\$54, Northwest

Source: Harrell Associates

to blame us for their problems," he says.

Independence last week posted a \$105 million loss for the January-March quarter. Its cash reserves plummeted 37% from year's end. But Skeen said Independence is cutting costs and might break even this summer and turn a profit next summer.

Wall Street isn't convinced. Zacks Investment Research analyst Brian Hayward says Independence will "struggle to survive this year."

Analyst Helane Becker of the Benchmark Co. said in a report that she is "extremely skeptical of management's view." Skeen's timetable, she said, could happen only with a bankruptcy filing.

Independence, which flies mainly small regional jets but is adding to its fleet of larger Airbus jets, last week launched service to San Francisco, Los Angeles, Seattle and San Jose.

That expansion came the same week discounter AirTran launched service to Charlotte, a US Airways hub and one of the USA's high-fare cities. Also last week, discount leader Southwest began service to Pittsburgh, another US Airways stronghold.