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THE MIDDLE SEAT

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Rivals Show Restraint After Independence Fails

**Heavy Competition Keeps
Fares Low on Key Routes;
Dulles to Atlanta for \$164**

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A last-minute trip between Washington and Detroit on United Airlines cost only \$199 round trip before Independence Air folded 12 days ago. Today, the price is \$1,070.

But that huge price jump is a rare exception. While the ridiculously low prices offered by a desperate airline

-- and by competitors hell-bent on matching them -- have largely disappeared, carriers surprisingly haven't raced to jack up prices once Independence shut down.

Nonstop flights from Washington's Dulles International Airport, which was the home for **FlyI** Inc.'s Independence, have risen by only \$10 or \$20, airline pricing officials say, and connecting routes have been largely unchanged. Buy 10 days in advance and Atlanta is still only \$164 round trip.

Analysts had predicted a rapid rise in airfare for East Coast travelers, especially from Washington, once Independence shut down. With fuel prices high, matching the ultralow prices of Independence -- some of which were as cheap as \$39 and \$49 one way -- added to airline losses. If the industry is to have a chance to return to profitability this year, it needs to raise prices domestically, particularly on the East Coast.

But fares haven't risen much because there's still lots of discount-airline competition on the East Coast, and plenty of empty seats to sell in this seasonally slow travel period. **AirTran Airways**, **JetBlue Airways** and **US Airways Group Inc.**, which is increasingly pricing tickets on the East Coast more like a discount airline, all fly to Washington's Dulles Airport. Several other discounters serve Washington's Reagan National Airport, and **Southwest Airlines** has become a major player in the Eastern U.S. They all pressure prices lower, even without tiny Independence.

US Airways, which merged with discounter America West Airlines in September, actually cut prices in 20 markets on the same day Independence Air folded. A 21-day advance purchase ticket requiring a one-night stay fell to \$198 between Charlotte and Indianapolis, for example, down 42%.

Travel experts and even some airline officials also speculate that carriers have been slow to boost prices after the death of Independence to avoid a political or customer black eye. The U.S. Justice Department unsuccessfully accused **AMR Corp.**'s American Airlines of "predatory pricing" in 1999 after it matched prices of new discounters, flooded markets with additional capacity then raised prices when the discounters retreated or folded. A judge dismissed the case in 2001, ruling in American's favor. But the issue remains a sensitive one for airlines.

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"It looks bad if an airline goes out of business and every other airline jacks up fares," notes Phil Gee, spokesman for US Airways.

Last week, UAL Corp.'s United did rescind the cheapest fares it had in place matching Independence lowest prices. A United spokesman says those fares were "unsustainable."

Airlines have also stealthily raised prices some by reducing the number of seats offered at discount prices. Also, a few sales are expiring, pushing prices up at least temporarily. The AirTran sale that offers Washington-Atlanta for \$164 round trip expires today. ATA Airlines let a sale expire over the weekend, for example, and a Chicago-Washington ticket bought with a week's advance purchase climbed to \$337 on United yesterday from \$159 last week. (A cheaper alternative: Baltimore-Chicago was only \$219 for a seven-

day, advance-purchase round trip yesterday).

Not Much Change

Despite price-hike predictions, business-travel tickets haven't gone up much from Washington's Dulles International and Reagan National airports.

ROUTE	JAN. 3	JAN. 16	CHANGE	AIRLINE
Washington-Chicago	\$324	\$324	\$0	United
Washington-Boston	\$410	\$410	\$0	US Airways
Washington-New York	\$279	\$279	\$0	Delta, US Airways
Washington-Atlanta	\$494	\$494	\$0	Delta
Washington-Charlotte	\$502	\$507	\$5	US Airways
Washington-Tampa	\$129	\$134	\$5	US Airways
Washington-Detroit	\$344	\$519	\$175	Northwest

Source: Harrell Associates. Prices are for one-way travel; do not include some taxes and fees.
Note: Independence Air shutdown on Jan. 5.

Still, most Washington fares remained close to the same price, United said, but with different restrictions such as 14-day advance purchase requirements instead of seven days.

Airfare consultant Bob Harrell tracks prices on seven routes from Washington that Independence served, and found that four days after the shutdown, business-travel prices went up on only one route, Washington-Detroit flights. By yesterday, two other routes had inched up \$5 each way, but there was otherwise no change.

Airlines had been able to inch fares up some before Independence Air's final day. The discount airline once had 600 flights a day but had slashed its schedule to fewer than 200 flights a day by the time it folded, easing the pressure on competitors to match prices on all flights.

Several corporate clients at Omega World Travel, Fairfax, Va., stopped booking the airline 60 days or more before the shutdown, noted Vice President Rick Singer. Though clients enjoyed Independence's fun service, with employees frequently making jokes, many had already moved to competitors.

"The lights were not shut off all at once at Independence Air. It was a gradual dimming process," said J.P. Morgan analyst Jamie Baker. "The shutdown got all the attention, but the failure had been months in coming."

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