



United, Delta Air Raise Some Business Fares by \$50 (Update5)

March 31 (Bloomberg) -- United Airlines, the world's second-largest airline, increased U.S. business-class fares on tickets purchased the same day of travel by \$50 each way, the biggest boost since 2000. Delta Air Lines Inc. matched the move.

UAL Corp.'s United also raised U.S. leisure fares by \$2 to \$4 each way to counter climbing fuel costs, spokeswoman Jean Medina said today. Delta increased those fares as well, spokeswoman Gina Laughlin said. Spokesmen at AMR Corp.'s American Airlines, Continental Airlines Inc. and Northwest Airlines Corp. said their carriers are reviewing the moves.

U.S. carriers are trying to build revenue and return to profitability after posting about \$40 billion in losses in the past five years, partly because fares declined as discounters took away customers. Airlines were also hurt by jet-fuel prices that jumped 79 percent in the past two years. United spent three years in bankruptcy reducing costs before emerging in February.

"United just looked in the rearview mirror, and they do not want to go back from where they came," said Terry Trippler, who monitors fares for the Cheapseats.com Web site.

United's business-fare boost was the industry's biggest since November 2000, and the second broad-based increase this year, JP Morgan analyst Jamie Baker said in a report today.

Separately, Delta said it was increasing U.S. fares as much as \$4.50 a flight segment because the carrier will no longer absorb airport fees. The tariffs can amount to as much as \$18 per round trip, depending on connections.

United Fare Boost

Under United's increase, one-way, walk-up business fare rose to \$649 from \$599 for a flight from Chicago to San Francisco or from Milwaukee to Albuquerque, New Mexico, among others, Trippler said. He said he expects the increase to be rescinded by next week when rivals decline to follow suit.

United increased its forecast for 2006 fuel prices to an average of \$1.94 a gallon, from \$1.81, according to a filing today with the U.S. Securities and Exchange Commission. The airline said it will recoup some of the fuel costs through higher revenue.

Demand for travel has increased and carriers are flying some of the fullest planes in decades after flights were reduced in recent years by airlines that sought bankruptcy protection. US Airways Group Inc., which exited bankruptcy last year, is also evaluating the increase, said spokeswoman Valerie Wunder.

"The airlines had been too conservative in increasing fares," said Calyon Securities analyst Ray Neidl. "It's long overdue."

Southwest Airlines

Southwest Airlines Co., the biggest U.S. discount carrier, raised one-way fares by \$10 earlier this month, its biggest ever increase according to Baker. Other major airlines matched that move. Southwest and AirTran Holdings Corp. didn't follow United's recent increase, the two discount carriers said.

Business fares have risen 16 percent over the past year and leisure fares have increased 1 percent, on average, according to a Cathay Financial report that cites [Harrell Associates](#).

Kevin Mitchell, chairman of the Business Travel Coalition, said he expects the fare increase to stand and that corporate customers will understand the airlines need to start making money.

``I don't think there's going to be a major impact on business travel demand because of this," said Mitchell, whose organization is a business travelers' advocacy group based in Radnor, Pennsylvania. ``Businesses need affordable airfares, that's true, but they also need a financially viable air transportation system to service their own customers and grow their own industries."

A survey by the coalition showed the average U.S. air fare paid by large companies in 2000 was \$372 each way. The comparable number in 2005 was \$250, Mitchell said.

Shares of Elk Grove, Illinois-based UAL rose 92 cents to \$39.93 at 4 p.m. New York time in Nasdaq Stock Market trading. They have fallen less than 1 percent since trading began Feb. 2.

To contact the reporter on this story:
Lynne Marek in Chicago at lmarek@bloomberg.net

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