

Planners Grill Airline Reps on Industry Trends

MEETING PROFESSIONALS are concerned about the long-term viability of airline carriers and the impact airline bankruptcies could have on their meetings.

That's one of the messages that came out of ICPA's webinar "The State of the Airline Industry," held June 22 and presented by Alan Krensky, president of Colpitts World Travel in Dedham, Mass.; Jeff Brown, executive vice president of Colpitts World Travel; Susan Hennig, sales manager, northeast region, meeting, incentive and group sales, Continental Airlines; and Tonya Rachel, marketing manager, group and meeting travel, American Airlines.

Referring to a recently published survey of roughly 300 meeting professionals, Brown said that two-thirds of the respondents reported they were either "very" or "somewhat" concerned that airline bankruptcies will impact their ability to get attendees to meetings. The same survey found that 44 percent of planners were avoiding financially troubled carriers and that 26 percent were steering their bookings toward "more solvent low-fare carriers."

Questions from webinar attendees also reflected concerns about possible airline shutdowns, as they queried panelists about issues ranging from labor problems to financial losses. Major carriers such as United and U.S. Airways are under bankruptcy protection, and all posted substantial losses in the first quarter of 2005.

Tonya Rachel argued that in the case of American Airlines, aggressive cost-cutting measures undertaken since 9/11 have been successful. "Fuel costs are the one thing that has [hurt profits]," she said. "If you [could] take the former fuel prices and factor those in, we would be profitable." As it stands, Rachel added, American's long-term financial health prognosis "is excellent."

Escalating fuel prices have slashed Continental's profitability as well. According to Hennig, a \$1 shift in the price of oil either way has a \$40 million annual impact on Continental. Airlines are doing all they can to mitigate the high price of fuel — in the case of Continental, this means retrofitting its aircraft with winglets that reduce drag and increase fuel efficiency. However, rising fuel prices remain a challenge for all the carriers, the panelists said, one that will inevitably lead to higher fares for both business and consumer travelers.

The good news for meeting planners, noted the panelists, is that carriers are offering lift to more international destinations. For example, American has a new flight from Chicago to Nagoya, Japan, and it is launching Chicago-to-Shanghai service in 2006, while Continental is offering new service to from Newark to European destinations like Stockholm and Bristol, England.

As for Delta Air Lines' decision this spring to eliminate its meeting department, Brown said that treating group business the same as individual travel by neglecting to offer group meeting discounts, "doesn't make any sense. It's a big mistake."