



Passengers adjust course as fees soar, service plummets

By Chris Walsh

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Tardy flights, cranky workers, missing bags and cramped cabins often top the list of consumer complaints against airlines.

But travelers, one could argue, have been spoiled during the past seven years.

Service deteriorated in many ways. But fares dropped to record lows, opening up the country - and the world - to millions of people, boosting tourism and cementing air travel as an integral part of how Americans get around for business and pleasure.

The landscape, however, is shifting again in the age of \$140-a-barrel oil, and travelers face a new reality.

U.S. airlines have hiked fares substantially over the past year and are adding a host of fees for everything from in-flight sodas to checked bags, all in an attempt to stem steep losses that by some estimates could hit \$13 billion this year.

Paying more for less

More fare and fee increases are on the way, and experts fear that service and on-time performance will continue to deteriorate.

That's going to force consumers to change their travel habits and to shell out more for quick weekend jaunts as well as long-planned trips home for the holidays. Dozens of smaller communities will lose regularly scheduled commercial service, while consumers in major cities will have fewer options on each route.

"People are paying a lot more money for gas, some can't make their mortgage payment, others are worried about getting laid off from work, and fares are going up," said Joe Brancatelli, an industry expert who runs a Web site for business travelers. "Flying for a vacation is not on their minds. Businesses are cutting back, so they ain't flying either."

Demand for air travel reached record highs in recent years but is slowing amid substantial fare hikes and could drop precipitously later this year.

Most U.S. airlines are getting rid of aircraft in an effort to reduce capacity. Denver's two largest carriers, United Airlines and Frontier Airlines, both plan to ground planes and cut service significantly this fall.

Some airlines are hooking up, either through mergers or partnerships. Others, such as Frontier, are operating under bankruptcy protection.

"To say the least, the next few years will be a challenging time for airlines," Forecast International, a Connecticut-based market research firm, wrote in a recent report. "The industry is undergoing a restructuring. A few carriers have disappeared, others are consolidating, and still others are revising the business models under which they operate."

Combined, it's enough to make jet-setters and occasional fliers alike shudder - and scale back on flying.

And that's exactly what is happening.

"Up until the last six months and the most recent oil spike, we hadn't seen that much of a dent in the way consumers look at travel," said George Van Horn, senior analyst at IbisWorld, a Los Angeles-based firm that provides research on numerous industries including airlines. "But we're now seeing a change because everything is costing more. We believe people this year are gravitating towards shorter trips, maybe in their cars, and dividing up their leisure time differently."

IbisWorld's most recent report on the industry predicts modest long-term growth by 2013, although it doesn't break out forecasts by year.

Numerous consultants and other industry experts, though, are predicting a double-digit decline in demand in coming months, which would coincide with the level of capacity cuts at most airlines.

Changes in habits

Consumers will adapt by changing their travel habits, potentially by traveling less frequently or to cheaper destinations, said Evergreen-based aviation analyst Mike Boyd.

"We're talking about a major change in the economic business model, and that's going to change who uses airlines and how often," Boyd said. "Instead of a trip to Orlando every year, you may go every three years or maybe not at all. Any place that's dependent upon high-volume traffic is going to be in trouble."

Travel Partners, a travel agency in Broomfield, has noticed some changes among its clientele, said owner Chris Russo.

The average vacation package he sells has gone up between \$75 and \$100 per person over the past year, mainly because of airfare hikes. Combine that with financial stress in general, and "we're seeing that people are planning a lot more in advance," Russo said. "They want to know what the cost is way ahead of time, so they can make sure they can pay it off."

Still, experts and consultants say that most Americans will continue to travel by plane.

"We are a nation of addicted travelers," said Peter Greenberg, travel editor of NBC's *Today* show. "It's culturally embedded in our DNA to travel, and none of this is going to change that."

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