

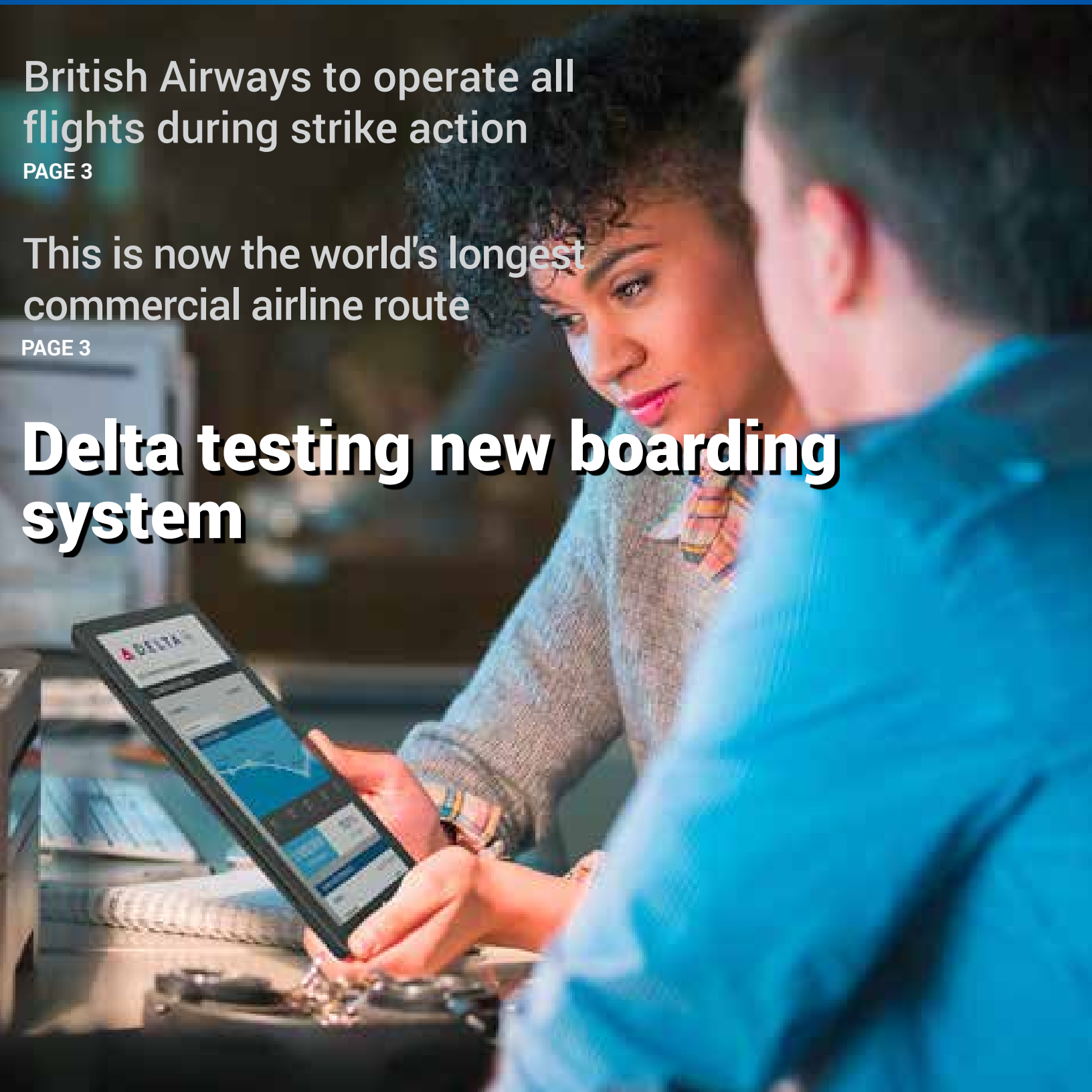
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**Delta testing new boarding system**



# Delta testing new boarding system at Hartsfield-Jackson

By Mark Meltzer



Delta Air Lines is testing new boarding procedures at Hartsfield-Jackson Atlanta International Airport and New York's Kennedy Airport that bring more order to boarding turbulence, Delta reported Thursday.

The latest upgrade to the boarding process features branded pillars to create four parallel lanes, keeping customers out of the walkway and providing a separate queuing area for Premium customers and

those needing special assistance. The airline plans to roll out this interim solution to additional airports if customer feedback continues to be positive.

"We tested a variety of boarding processes, and our customers and employees let us know that this iteration makes their experience better," said Bill Lentsch, Delta's Senior Vice President – Airport Customer Service and Airline Operations. "We're excited to provide

this interim solution, and we'll continue to evaluate new processes and technologies to make the customer experience even better."

As Delta develops new solutions to improve the boarding process, the airline looks to take the "hold room" feel out of the gate space and create an interactive area full of meaningful distractions that keep customers engaged and entertained while they wait, Lentsch explained.

## Latam Turns a Profit for First Time Since 2011

By Michael B Baker

Latam Airlines Group passenger revenue increased 6.9 percent year over year in the fourth quarter, the first quarter to show year-over-year growth in more than two years. The company noted that traffic among its Spanish-speaking country affiliates—Latam Airlines in Chile,

Peru, Argentina, Colombia and Ecuador— increase 6.9 percent even as domestic traffic in Brazil declined. Total capacity declined 0.8 percent due to a 10.9 percent reduction in domestic capacity within Brazil. Domestic capacity in the Spanish-speaking countries and on international

routes rose, though the carrier has continued to reduce capacity between Brazil and the U.S. For the full year, Latam reported a net income of \$69.2 million, its first profit since 2011. The company posted a \$219.3 million net loss in 2015.

# British Airways to operate all flights during strike action

By Tom Newcombe

British Airways will operate all flights during proposed strike action.

The airline confirmed all passengers will be able to travel to their destination on February 5, 6 and 7, despite industrial action from cabin crew members of Unite the Union.

All flights to and from London City, Gatwick and long-haul from Heathrow will operate as normal. The vast majority of short-haul services from Heathrow will operate as normal although a number will

be merged.

This will mean some passengers travelling slightly earlier or later than their original booking.

BA said all passengers affected will be contacted with options available to them.

There is also a further three days of strikes planned for February 9, 10 and 11. BA said it will publish a revised timetable for those three days later this week.

Workers are striking in a dispute over pay for members on 'Mixed Fleet' contracts. They said they are underpaid and dispute the airline's claim that staff are paid a minimum of £21,000 a year through pay, bonuses and incentives.

British Airways has described the call for strike action as "bizarre" and "completely without justification".

BA passengers can check flight details by accessing the Manage My Booking page.



# This is now the world's longest commercial airline route

By Ben Rosen

The world's longest scheduled commercial flight landed in Auckland for the first time early Monday, connecting New Zealand to the Gulf state of Qatar.

The Qatar Airways flight from Doha – which took about 16 hours and 20 minutes – surpassed a record previously held by the airline's rival, Emirates. The distance from Dubai to the North Island of New Zealand is some 190 miles shorter.

In addition to being the longest nonstop flight, the new route helps position Middle Eastern cities such as Doha and Dubai as

gateways between Europe and the Pacific, both for travelers and goods. Business travelers will have more options, while the flight will bring New Zealand exports to Qatar and other parts of the region. But it remains to be seen how much of a market there is for flyers willing to stay seated for hours, as other flights spanning similar distances have been canceled in the past.

Monday morning's historic flight landed in Auckland just after sunrise, after traveling a distance of 9,032 miles. The Boeing 777-200LR was showered with water on the tarmac, a tradition for airlines

**QATAR AIRWAYS HAS LAUNCHED THE WORLD'S LONGEST SCHEDULED COMMERCIAL AIRLINE ROUTE, FROM DOHA, QATAR, TO AUCKLAND, NEW ZEALAND, A DISTANCE OF 9,032 MILES.**

after they complete a new route.

Qatar Airways Group chief executive Akbar Al Baker called the flight “an important milestone for Qatar Airways as we expand both in the region and globally across our network.”

Headwinds will make the return flight slightly longer, at 17 hours and 30 minutes.

Each nonstop Qatar flight can carry 259 passengers, as well as exports stored below. The commercial jet has 42 seats in business class and 217 seats in economy. The belly of the plane will also be able to carry goods “such as dairy produce, meat and fruits from Auckland into the Middle East and on to major European cities,” according to a statement from Qatar Airways.

But experts say it’s not the flight itself, but the network it creates that’s significant.

“On its own, it wouldn’t be viable to fly between Auckland and Doha, but Qatar is focusing on the passengers from Auckland going on to Europe, Africa, the US or elsewhere,” Ellis Taylor of Flightglobal, a news site that focuses on airline travel, told BBC. “In that light, even though it may take some time for the route to stack up from a profit perspective, it may help the economics of its wider network.”

And Qatar had to keep up with Emirates, according to Geoffrey Thomas of Airlineratings.com.

“It’s also about reach for Middle East airlines striving to outdo each other,” Mr. Thomas told BBC.

Of course, the record isn’t static. For one, individual flights can be longer or

travel further distances. An airline can choose to avoid certain countries or take alternate routes. And the longest actual distance a nonstop route travels is Air India’s nonstop from San Francisco to Delhi.

But there’s also questions over how many flyers are willing to stay in their seat for nearly a whole day. In 2012, the then-record holder for the longest commercial route canceled the routes because of poor sales. Singapore Airlines canceled its flights to Newark, New Jersey, and Los Angeles.

“The airline found the only way to make the routes profitable was by configuring the plane with 98 business class seats that sell for about \$8,000 roundtrip,” wrote the Associated Press at the time. “Other airlines operate the same plane with about 250 seats in first, business and economy classes.”

## Southwest Migrates to Amadeus Starting May 8th

By Michael B Baker

We would like to proactively alert you to changes that Southwest Airlines is making that will likely have very little impact to your company or your travelers. In summary, Southwest Airlines is migrating their internal reservation system from Sabre to Amadeus. Fares will still be available to corporate travelers and travel agencies through Sabre and through Concur’s direct connect as this change is limited to Southwest’s internal reservations system.

The only minor inconvenience is for

reservations that depart before May 8 and return after May 8. Southwest flights that traverse this date will have to be booked as 2 one-way trips. Travelers that use Concur and attempt to book a departure before this date and wish to return after will receive an error message and will not be able to complete their request.

This will not affect Southwest flights that conclude before May 8th nor will it affect flights that depart after May 8th.



**ADDITIONAL QUESTIONS?**

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# Spirit Airlines Incorporated Earnings: Profit Plunges on Higher Costs

By Adam Levine-Weinberg



The ultra-low-cost carrier Spirit Airlines (NASDAQ:SAVE) reported a sharp decline in profit for the fourth quarter of 2016. Unit revenue continued to fall -- albeit at a slowing rate -- so Spirit Airlines wasn't able to offset year-over-year increases in fuel prices, labor costs, and maintenance costs.

That said, Spirit Airlines remains one of the most profitable airlines in the U.S. Furthermore, as the industry pricing environment improves and the company's route network changes take hold, unit revenue should finally start rising again, allowing Spirit to return to earnings growth.

## What happened with Spirit Airlines this quarter?

In October, Spirit Airlines began to implement a new route selection strategy. Rather than simply trying to connect the biggest cities to one another, Spirit has recently added numerous routes connecting cities in the Northeast and Midwest to leisure destinations, primarily in Florida.

Launching these new routes didn't get Spirit Airlines' unit revenue growing again right away. Revenue per available seat mile fell 3.6% year over year in Q4. However, Spirit Airlines has said in the past that new routes typically take three months to reach normal profitability levels. This implies that the recent route network changes are more likely to pay off in Q1.

By contrast, Spirit Airlines' 14.9% adjusted pre-tax margin was roughly in line with its performance in the fourth quarter of 2013, before it began to benefit from cheap oil.

## What management had to say

Since taking over the top job at Spirit Airlines a little more than a year ago, CEO Bob Fornaro has emphasized the need to make the airline more reliable and customer-friendly. He was pleased by Spirit's improvements over the course of the year, stating:

Thus, investors should view the fourth quarter as a transitional period for Spirit Airlines. The company did suffer precipitous declines in its profit margin, net income, and earnings per share, but it was facing unusually tough comparisons due to the steep drop in fuel prices that occurred between late 2014 and the beginning of 2016.

*Throughout 2016, we made solid progress toward our goal of consistent reliability. We improved our on-time performance by 5.2 percentage points and we made great progress in lowering the number of complaints reported to the Department of Transportation. We started the year with a complaint ratio of over 11 per 100,000 customers and by year-end we were under 4 per 100,000 customers.*

Management was also pleased with

its cost performance. CFO Ted Christie noted that while its non-fuel cost per available seat mile (CASM) increased during Q4, it fell on a full-year basis. "For the full year 2016, our adjusted CASM ex-fuel decreased 0.9 percent year over year. I applaud our team members for their continued efforts to improve our cost structure," he said.

## Looking forward

During the first half of 2016, RASM plunged 14.1% year over year at Spirit Airlines. Since then, unit revenue has been stabilizing, culminating in last quarter's relatively modest 3.6% decrease.

Easy comparisons and growing momentum from its recent route network changes give Spirit Airlines a good chance to return to RASM growth in the first half of 2017.

Meanwhile, on the cost side, Spirit Airlines will benefit from its ongoing shift from leasing aircraft to owning them. This reduces its costs by about \$1 million per airplane on an annual basis. Lower fleet-related costs will offset some of the expected labor cost increases from Spirit's next pilot contract, which is likely to take effect later in 2017 or in 2018. By holding down unit costs, Spirit is ensuring its long-term profitability by building up a competitive advantage over higher-cost rivals.

# A high-speed train from San Diego to LA is possible without high-speed rail

By Alon Levy

**THE STRETCH FROM LOS ANGELES TO SAN DIEGO IS ONE OF AMERICA'S BUSIEST TRAVEL CORRIDORS. YET THE PLANS FOR CALIFORNIA'S HIGH-SPEED RAIL PRIORITIZES THE ROUTE FROM LOS ANGELES TO SAN FRANCISCO INSTEAD. THERE ARE STEPS SOUTHERN CALIFORNIA OFFICIALS COULD TAKE IN THE MEANTIME, HOWEVER, THAT WOULD DRASTICALLY IMPROVE RAIL SERVICES AND ENCOURAGE MORE PEOPLE TO RIDE.**

The stretch from Los Angeles to San Diego is one of America's busiest travel corridors. The I-5 is among America's busiest interstates, and Los Angeles-San Diego is the top corridor for high-speed rail in California, according to the America 2050 report by New York-based Regional Plan Association. The Pacific Surfliner, the line that connects San Diego and L.A. and goes north to Santa Barbara, is already the second busiest Amtrak route, after the Northeast Corridor.

Yet the plans for California's high-speed rail prioritizes the route from Los

Angeles to San Francisco instead. It will take decades for high-speed rail service to reach San Diego. There are steps Southern California officials could take in the meantime, however, that would drastically improve rail services and encourage more people to ride.

Existing upgrade plans leave something to be desired – they're both low-cost and low-impact. These include some track upgrades that would let trains travel faster and more frequently. Several additional projects are part of the California high-speed rail program. The so-called blended

plan involves incremental improvements to track speed and capacity between Los Angeles and Anaheim, especially on a short segment with heavy freight traffic. This is intended to allow future high-speed rail from Los Angeles to San Francisco to use the existing tracks to serve Anaheim, but at lower speed. The total cost on this segment is projected at \$2 billion in the 2016 business plan.

Phase One of California high-speed rail, between San Francisco and Anaheim, will only open in 2029, and the High-Speed Rail Authority has so far done little work on Phase Two, which includes the line between Los Angeles and San Diego, via the Inland Empire. Since high-speed rail service to San Diego is so far on the horizon, it is worth discussing medium-term improvements, which would take several years instead and upgrade service before high-speed rail arrives.



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Examples of these interim improvements already exist. For instance, the Northeast Corridor – the East Coast rail line that runs from Boston to Washington D.C. – has been improved slowly over many decades, is electrified and runs at an average speed of 60 to 80 miles per hour. Some European countries, including Britain, Sweden and Switzerland, have not built high-speed networks but instead upgraded legacy lines. In those countries, upgraded lines average between 70 and 90 miles per hour, supporting multiple trains per hour on the busier lines. San Diego is bigger than any Swedish or Swiss city, and the five-county Los Angeles metro area is bigger than Sweden and Switzerland combined. If domestic trains in Sweden and Switzerland can support one to two trains every hour, fast service

between Los Angeles and San Diego should support at a minimum a train every half hour, and potentially much more.

The Los Angeles-San Diego corridor is 128 miles long, and is for the most part straight. Target trip times of two hours should be achievable even with the frequent stops on the Pacific Surfliner. The aspirational trip time is about 1:45 or 1:50, which would be competitive with driving even outside rush hour. The investment required for this ranges from the high hundreds of millions of dollars to the very low billions. This is still slower than the eventual trip time envisioned by Phase Two of the high-speed rail project, currently projected at 1:18, via an indirect route through the Inland Empire.

The way to achieve trip times lower than two hours on legacy track is to combine new federal regulations and strategic investments intended to take advantage

of the new rules. In late 2016, the Federal Railroad Administration released new regulations for passenger rail safety, which allow lightly modified European trains to run on U.S. tracks. Previously, unique U.S. rules required trains to be heavier. This follows a regulatory change from 2010 that allows trains to run faster on curves, subject to safety testing. The existing diesel locomotives are too heavy to take advantage of this change, but lighter electric passenger trains face no such obstacle.

This means that the region needs to invest in electrifying the corridor from San Diego to Los Angeles, and potentially as far north as San Luis Obispo. Between San Diego and Los Angeles, the likely cost – based on the California high-speed rail electrification cost – is about \$800 million.

The benefits are considerable. Electric



trains emit no local pollution, while diesel is an unusually dirty fuel, contributing to Southern California's poor air quality. New EPA rules, the Tier 4 standards, have required rail agencies in the U.S. to buy cleaner-burning diesel locomotives. The Pacific Surfliner has recently bought Tier 4-compliant locomotives, but many intercity and commuter rail routes around the country are interested in such trains, so they could likely fetch a good price by selling them now on the second-hand market. While these locomotives are cleaner than the legacy ones they replace, they are almost as heavy, and are unsuitable for a fast operation.

Besides the environmental benefits, electric trains have far better acceleration than diesel trains. An analysis by local rail activist Paul Druce suggests that on the northern half of the line, a European electric commuter train could average about 60 mph, making many stops on the way. This adds to the ability of such trains to go somewhat faster on curves without compromising safety. The existing plan for the corridor already includes some speed increases; being able to run

faster on curves would have a noticeable effect. Better rail transit coming from electrification would have additional environmental benefits coming from reducing driving, such as car accidents, pollution and congestion.

Another potential investment is a cutoff of Miramar Hill. Right now, the tracks meander on a curvy alignment, wasting valuable time. Local medium-term plans for the corridor include a tunnel under the hills, which would shave about 4.5 curvy miles off the route, saving perhaps seven minutes. The projected cost of the tunnel is about \$500 million. But electric trains can climb steeper grades than diesels because of their more powerful motors. They could run on new tracks alongside I-5, with some viaducts but no tunnels.

All of the above improvements work together. New regulations allow the corridor to use more powerful trains. This encourages electrification, in order to immediately buy the best standard-speed trains available, and run faster on curves. Electrification, in turn, encourages a cheaper Miramar Hill realignment than the proposed tunnel.

The result of such investment would be that frequent, rapid trains could efficiently

connect Southern California by the mid-2020s. With trains doing the trip between Los Angeles and San Diego in less than two hours, many people would choose to leave their cars at home and ride rail. Trains would leave every half hour, all day, every day. Travelers could connect from anywhere on the San Diego Trolley system to anywhere on the expanding Los Angeles Metro Rail without using road-based transportation. This would not only shift travel away from highways and toward mass transit, but also encourage taking more trips, for tourism as well as business. The Los Angeles and San Diego metro areas would become closer and better-integrated.



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