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NW CEO John Dasburg Talks Service, Competition

BTN: In recent years, Northwest and Continental seem to have been going in different directions as far as service quality--what will you do to ensure equally high quality service?

Dasburg: We'll have to have a lot of discussions about service. Each airline will form an alliance committee, and there'll be a subset of that to deal with operational compatibility. We'll work hard to ensure we offer a common high level of service, and we may even explore common product branding. While both airlines were recognized for service in 1996, in 1997 we had a couple of problems in the first quarter because of a very difficult winter here and brand new, but faulty, de-icing equipment. We couldn't dig out, from a statistical point of view, for the balance of 1997.

BTN: When would you expect code sharing between you to begin?

Dasburg: This year, since our pilots have said they want to talk about it as part of ongoing contract negotiations. Continental also will begin putting its code on our flights this year, following a government approval process that we're guessing will take about four months.

BTN: Do you expect the government to have no antitrust concerns about the alliance?

Dasburg: There is truly a minimum of overlap between us--only eight city pairs between our hubs--which is why an alliance will work. We're not going to be allowed to discuss pricing, so we'll remain fully competitive. Even after this alliance, we're still smaller than Delta within the United States and I believe this is a way for the U.S. airline industry to remain vitally competitive.

BTN: What's the contractual time frame for the agreement?

Dasburg: There's a period of time to negotiate with our pilots to waive the scope clause, allowing us to put our code on Continental flights. Failing that, there is a series of safeguards negotiated by Continental. There is still an issue or two to resolve, and we've negotiated safeguards for those as well. There's also a six-year limit to our agreement where we circumscribe the right to vote our shares. By the end of the six years, everyone will know our alliance is thorough and established.

BTN: Could the frequent flyer programs be integrated before springtime?

Dasburg: Given the need for government approvals, that might be a little ambitious, but we are hoping to get that together sooner than some of the other aspects of the alliance. The same goes for airport club access for each other's frequent flyers.

BTN: Would it make sense on some of those hub-to-hub routes, say between Minneapolis and Newark, to reduce frequencies?

Dasburg: I'm sure we won't be doing that.

BTN: Will the two airlines be doing joint sales calls to corporate customers and agencies?

Dasburg: Our agreement allows for that, but what the Dept. of Justice will allow is not totally clear yet. We've applied for very broad rights, and we don't know definitively what we'll get. But if we get what we've applied for, there will be opportunities for corporate travel managers to negotiate with both airlines.

BTN: When will Northwest begin discussions with Continental's international partners, and will Northwest expand its code share with America West, one of Continental's biggest partners?

Dasburg: Northwest and KLM have to work more closely with Continental before talking to additional partners, but clearly we see the formation of a global network with Continental, Northwest and KLM at its heart. As far as America West, that is being examined.

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