

March 15, 2010

Continental Ends Airline Era as Free Coach Meals Cut

By: Jeff Green

IdeaWorks contributed information to this article - - see italics.

(Bloomberg) -- Continental Airlines Inc., the last U.S. carrier serving free meals in the coach cabin, will start charging for food for economy-class passengers on most domestic and Canadian flights as well as certain Latin American routes.

Complimentary meals will still be offered to passengers on economy fares on all intercontinental trips, certain other international routes and domestic flights longer than six hours, Houston-based Continental said today in a statement.

“I don’t believe that free food is a compelling reason to switch brands anymore,” said Jay Sorensen, president of airline consultant IdeaWorks. “There’s a double windfall because they save money by not giving food to every passenger and generate revenue for the airline by selling the food.”

Charging for food in coach fits in with Chief Executive Officer Jeff Smisek’s plan to add fees for specific products and services. Smisek, who became CEO in January, said in October that the airline needed to reverse almost \$1 billion in losses since the 2001 U.S. terrorist attacks.

Pricing and menu options are still under development, Continental said. The fourth-largest U.S. airline has served meals in coach on domestic flights of three hours or more, the last holdout in an industry that has been shedding amenities in the past two decades for travelers buying the cheapest tickets.

Fried Chicken

Inflight meals date to the dawn of U.S. commercial aviation in the 1920s, when trips were so long that travelers had to eat. Even by the 1930s, when scheduled service replaced the practice of cramming a couple of passengers into air-mail planes, a flight between San Francisco and Chicago took 20 hours.

Early offerings included a lunch of fried chicken, a bag of potato chips and a tomato, according to a corporate history of UAL Corp.’s United Airlines, which in 1936 opened the first kitchen dedicated to preparing on-board food. Those meals became more elaborate as airlines sought to set their service apart.

Now, with shorter flights and pressure from low-fare rivals such as Southwest Airlines Co., Continental and the rest of the large U.S. airlines are turning to fees including bag-check charges to raise revenue from sources other than tickets.

Food for first- and business-class travelers remains an area where carriers try to differentiate themselves, with menus designed by celebrity chefs and specially selected wine lists.

Fewer meals will also have less obvious savings, such as reducing fuel needs because of lighter jets, said Sorensen, who is based in Shorewood, Wisconsin. Global carriers, many of which still offer economy-class meals, will probably move to end the practice, he said.

“There are tremendous pressures to lower the costs for onboard meals,” Sorensen said. “Many airlines will probably start by offering a charge to upgrade the food experience as a transition to charging for the meal.”

Continental rose 22 cents, or 1 percent, to \$23.26 at 4 p.m. in New York Stock Exchange composite trading. That was the highest closing price since March 7, 2008.

Delta Air Lines Inc., AMR Corp.’s American Airlines and United are the three biggest U.S. carriers.