

# IN FOCUS

weekly industry update

## News from TravelFocus

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### [Hailing a taxi with a mouse click \(Source: USA Today.com\)](#)

Business travelers have been going online for a decade to book airline tickets, hotel rooms and rental cars. But until recently they still had to hail a cab the old-fashioned way. Now, 34-year-old New York cab driver and entrepreneur Jason Diaz is trying to change that. Six months ago, he launched 1-800-cab-ride.com in hope of using the Internet to create a national brand and sales organization for the highly decentralized taxicab business. "I want to do for the taxi business what 1-800-flowers.com did for the flower delivery business," Diaz says.

Americans spend more than \$12 billion a year on taxi rides, Diaz says, which makes the taxi business about as large as the ice cream industry. And taxis carry more customers each year than do all the rental car companies combined. "But there's no Dreyers or Breyers, and no Hertz or Avis or Enterprise. There are no big name brands. It's all mom and pop." Backed by private investors — he won't say who, or how much they've invested — Diaz created 1-800-cab-ride.com by enlisting locally owned cab companies from around the USA into a network that extends to about 40 major markets. He's adding about five markets a month.

Currently, only about 300 people a day book taxi rides through the service, Diaz says. But he is expecting rapid growth. Travelers can schedule a cab ride with as little as 10 minutes advance notice, though the company guarantees only that a cab will be available within three hours of booking. Travel agents can also book cab rides online for their clients at the same time they book airline tickets and hotel rooms.

The company quotes a flat fee at the time a trip is booked. It includes fare, tip, taxes and tolls. The customer must pay with a credit card at the time of booking. That reduces the need for business travelers to carry cash and improves the accuracy of corporate expense reporting. It also eliminates the possibility that a dishonest driver will sell the customer's credit card number.

Another selling point for business travelers: If anything goes wrong for customers — a laptop left behind, for example — the company can pinpoint their cab quickly. Diaz sells the service to local cab companies by highlighting the potential for greater productivity and increased revenue. He says 60% of drivers' time is spent "doing nothing but waiting for the next ride, just hanging out." Local operators keep most of the fare and pay 1-800-cab-ride.com fees for sending them business. In competitive big-city cab markets, the fares represent money the cab companies wouldn't otherwise get. "It's well worth it to them to share a part of that incremental revenue with us," Diaz says.

Rick Hewatt, owner of Checker Cab of Atlanta, which has been in business for 60 years, signed up because he saw Diaz's proposition as "an opportunity to bring us additional sales and to get us into the world of online reservations." James Hickey, senior director of marketing and sales at Chicago's Flash Cab and 303 Taxi in the suburban Chicago area, calls 1-800-cab-ride.com a "really great idea." "I've heard many, many horror stories of people who've had bad experiences with cabs when they've gone to other cities," he says. Diaz's plan assures travelers a clean, safe cab with protection against overcharging, he says.

Brian Deely, a financial planning associate from Tacoma, Wash., says he's sold on the concept after one use last month in Houston. "I found it online very quickly," he says, "and the really cool thing about it was that I paid right then and there." He's planning to use the service again on a trip to Las Vegas, and expects to use it on trips elsewhere. "It sure beats having to scramble for transportation after I land," Deely says.

For Diaz, his venture is the combination of two loves: big business and taxis. He first got interested in the cab business during his college days at the University of Pennsylvania's Wharton School, where he earned a bachelors degree in 1995. After graduation, Diaz landed a job as a management consultant in New York. Motivated by the murder of a friend in a street crime, Diaz threw himself into the creation of a crime-watch-on-wheels called Cab Watch. The non-profit trains cabbies to look for and report crime. Along the way Diaz got his hack's license and still occasionally pulls a shift behind the wheel. Eventually he left his consulting job to focus on his taxi business interests, which includes TaxiPass. That company allows local customers to buy taxi credits from ATM-style machines.



### [U.S. issues record number of passports \(Source: USA Today.com\)](http://www.usatoday.com)

Passport delays got your summer travel plans in limbo? You may be able to rest easier. The State Department says it is cranking out U.S. passports in historically high numbers to meet an unprecedented surge in demand caused by tough new immigration rules. Last week, it issued a record 412,000 of the documents, the most ever issued over a seven-day period, easily besting the only week-old previous high mark of 379,000, the department said in a statement on Monday.

"Passport production has hit record highs as the department works diligently to honor its mission and ensure that every citizen gets a passport in time for planned travel," it said. A boost in staffing and overtime and weekend hours at the 17 passport agencies has succeeded in reducing some processing delays that had threatened a huge number of overseas vacations for Americans and sparked congressional concern, it said.

Expedited applications, which require an additional fee, will now again be processed in two weeks, down from four at the height of the crisis. Standard applications will still take ten weeks, the department said. In March, the department warned a crush of new passport applicants — more than 1 million a month — had inundated its staff and caused extended delays at the peak of the January-to-April season when many people prepare to travel over the spring and summer. The surge was made worse by a new regulation that took effect this year requiring Americans to have passports when traveling by air to any country, including Canada, Mexico and the Caribbean.

Applications between last October and March rose 44% over the same period in 2005-2006, according to the State Department, which said it expected to process about 17 million passports in 2007. Some 74 million Americans now have valid U.S. passports.



### [Airline performance declines for third straight year \(Source: USAToday.com\)](#)

The overall performance of U.S. airlines worsened in 2006, its third consecutive year of decline, according to the 17th annual Airline Quality Ratings released here Monday. Its performance fell in three of the four categories measured by the study: **on-time arrival, involuntary bumping and mishandled luggage**. The customer complaint rate was flat.

Among individual airlines, the study rated Hawaiian Airlines the best performer last year. The study rated 18 airlines for 2006, the first year that Hawaiian was large enough to be included. The airline has "distinct advantages" over larger competitors, said co-author Brent Bowen of the University of Nebraska—Omaha. It operates a small number of flights to fair weather destinations, Bowen says. "It is somewhat of an anomaly to compare it to other carriers," he says.

JetBlue, which has experienced severe operational problems for a week in February, was the second best performer, missing out on the top spot for the first time in four years. Bowen and co-author Dean Headley of Wichita State University said the February troubles will show up in next year's score. In rating the airlines, Bowen and Headley use an array of published performance data with a direct effect on travelers. The industry rating for 2006 is the lowest since 2000, one of the worst years ever for airline service. Customer service was so bad that year that Congress considered adopting a passengers' bill of rights to force change. Similar proposals have resurfaced in recent months as airlines continue to experience severe delays and leave passengers stuck on loaded planes for hours.

After the Sept. 11 terrorism, a drop in flights and passengers alleviated delays and other performance problems. But the industry is seeing them again as the passenger volume continues to rebound and airlines reduce capacity to generate higher fares. "They're matching capacity too close to the demand," Headley says. The industry's cutback in labor also contributed to worsening service, he says.

Of the 18 rated airlines, only Northwest and US Airways improved from 2005. Northwest spent much of 2006 restructuring its operations to emerge from bankruptcy and the efforts may have paid off, Headley says. It was the only airline that had improved in all four categories. "They've been trying to get their act together. Maybe they did. The question is 'will it continue next year?'" US Airways' improvement may have been influenced by its merger with America West, which has been one of the top performers in the past, Bowen says. But US Airways, which has been consistently ranked among the worst network carriers in the past years, also moved up partly because it couldn't fall much further, he says. Ranked 13th, it was still the worst performing network carrier in 2006.

Among other findings:

- The industry had about 75% of their flights arrived on time, compared to 77.3% in 2005. Ten out of the 18 airlines had worse on-time arrival performance in 2006 than in 2005. Only three airlines had 80% or greater on-time arrival.
- The industry's rate of involuntary denied boarding worsened in 2006 — to 1.01 per 10,000 passengers from 0.89 a year earlier. Atlantic Southeast was the worst, with 4.47. Jet Blue was the best, with 0.07.

- The industry mishandled 6.5 bags per 1,000, up from 6 in 2005. "It's a sizeable jump," Headley says. Atlantic Southeast was the worst also in the rate of mishandled baggage — with 17.37 mishandled bags per 1,000 passengers.

- Southwest Airlines had the lowest consumer complaint rate, with 0.18 per 100,000 passengers. United and US Airways had the highest, both with 1.36. While the customer complaint rate decreased slightly last year, it doesn't mean passengers' perception of airline service is improving, Headley says. "Their expectations have been so lowered. If (the airlines) continue to lower them, I think they're playing with fire."

Despite the overall downturn in its service, the U.S. airline industry is still one of the most reliable air transport systems in the world, Headley says. The airlines' focus on lowering costs, laying off workers and reworking union contracts — despite the hardship they cause their employees — have led to cheaper fares. "We've got a good deal going. But we still want it to work better," he says. Rounding out the top five respectively were AirTran, Frontier and Northwest, reflecting the general trend of low-cost carriers outperforming larger network carriers. Atlantic Southeast, a regional feeder airline to Delta, was the worst performer, followed by American Eagle and Comair.

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