

By: Joseph R. Perone



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Continental CEO Larry Kellner speaks in front of representatives from each airline of the Star Alliance with the first official plane wearing the Star Alliance colors shown in the background. More than two-dozen airline chiefs from around the world gathered inside a large hangar at Newark Liberty International Airport yesterday to welcome Continental Airlines as the newest member of the consortium.

Continental, the dominant carrier at Newark with a 74 percent market share, is now part of the Star Alliance — a group of 25 airlines serving 169 countries.

The world's fifth-largest carrier becomes the first airline to leave an alliance — SkyTeam, which is now dominated by Delta Air Lines following its merger with Northwest. The Star Alliance will provide Continental with \$100 million in additional sales and give travelers access to 1,000 destinations around the world, according to Jeff Smisek, Continental's president.

"If there is a city not served by the Star Alliance, I would suggest you re-think whether you want to go there," he quipped. Faced with unprecedented financial pressure, airlines such as Delta and Northwest chose to merge to achieve economies of scale and gain market share. Continental considered merging with United Airlines, but instead chose to join an alliance that includes that airline. The alliance will help Continental, United and Lufthansa of Germany serve more cities and cooperate on fares, schedules and facilities without the regulatory hurdles of a merger.

Such alliances "are designed to help individual airlines increase their reach by facilitating travel on partner airlines," according to Raphael Bejar, chief executive of Airsavings, a Paris-based airline consulting firm.

"For Continental's consumers, there are some initial benefits," he said. "First, Continental will feature an expanded network, with more destinations available through the Star Alliance. Frequent fliers will also enjoy reciprocal earning and redemption of miles."

Conversely, by losing Continental, SkyTeam "will notice the loss of the carrier with the second-most destinations worldwide," he said, because the carrier serves 351 destinations around the globe.

Continental is trying to return to profitability after losing \$18 million, or 14 cents a share, during the third quarter, compared with a loss of \$230 million, or \$2.09 a share, a year ago.

The 12-year-old Star Alliance is the largest and oldest cooperating airline group in the world. By joining it, Continental will gain access to United's strong routes in Asia/Pacific, the Midwest and California. United will be able to partner with Continental's routes to Europe, Mexico and Latin America. Both airlines are forming a joint venture for trans-Atlantic flights, and Smisek said he expects to add new routes to Asia as well.

New cities Continental passengers will be able to visit through the alliance include Taipei, Singapore, Vancouver, Canada, and Melbourne, Australia. Consumers also can earn miles on travel reward programs of the other 24 alliance members, including Swiss Airways, US Airways, Air Canada, TAP Air Portugal and Shanghai Airlines.

"Our goal is to really make global travel seamless," Continental chief executive Larry Kellner said.

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