In contrast to the hub-and-spoke model, the point-to-point model is based on a transportation system similar to one used by bus companies. Southwest and Jet Blue are the principal airlines that use this model. Flights start in one city and then proceed to other cities where some passengers deplane and other passengers remain on the plane to proceed to the next city. For example, someone might start in Houston, Texas, with the final destination being Chicago, but rather than a direct flight to Chicago, the passenger may have stops in Oklahoma City and Kansas City before arriving in Chicago. The benefit of the point-to-point model is the efficiency generated by having aircraft in flight for longer periods of time and leasing gates at older less costly airports, both of which lower operating costs. Southwest, for example, flies from Houston, Texas, to Dallas to Oklahoma City, to Kansas City, Missouri, ending the flight in Chicago.

Point-to-point airlines usually operate only one type of aircraft. Southwest uses only Boeing 737s, which reduces training costs, maintenance costs, and inventory costs because only one type and size of craft needs to be serviced. However, the point-to-point carriers do not fly into smaller cities where there are a limited number of potential passengers; whereas, the hub-and-spoke airlines service the smaller cities with smaller aircraft or rely on smaller regional carriers to service their hub-and-spoke model. Both the hub-and-spoke and point-to-point have different approaches to generating revenue, but each model has different training and maintenance costs because of the different aircraft used (see Table I).

To compete with the low-cost airlines and their point-to-point systems, the majors, and some of the discounters including America West, implemented a code-share system by which passengers could purchase tickets on two different airlines. This was convenient for the passenger and reduced transaction costs for the code-share partners. These airlines maintained their own reservation systems with the code-share capability and also sold blocks of airline seats to Internet companies, wholesalers, and channel distributors, such as Orbitz and Travelocity.

Not all airlines perceive this model as beneficial. For example, Southwest does not code-share with any other airline and maintains its own reservation system. Southwest has refused to allow Internet companies to sell Southwest seats. This has enabled Southwest to control costs and more adequately project revenues when compared to other airlines.

In contrast to the discounters, the major airlines were often saddled with debt obligations, union contracts that guaranteed high salaries and wages to their employees, and under-funded pension plans. Pricing pressure made it impossible for the majors to increase the cost of tickets to cover their own costs let alone meet the

Table I Comparison between Southwest and America West

America West Airlines	Southwest Airlines
Hub-and-spoke	Point-to-point
Three types of aircraft-143	One type of aircraft-388
First class and coach seating	Coach seating
Assigned seats	No assigned seats
Boarding rear first	Boarding first come
Use many on-line reservations systems	Use own on-line system
Code-share agreement with other airlines	No code sharing
Paid meal service on some flights	No meal service
In-flight movies on some flights	No in-flight movies
Baggage transfer between airlines	No baggage transfer
Overbooked flights receive discount on other airlines	No discount for other airline passengers