

# Business Travel Update

May 2008

A Business Travel Update provided by Action Travel Center

## Newly Unbundled Fares Complicating Policies Buyers Assess Full Cost Of Carriers' A La Carte Pricing

From select coach seat assignments to a second checked piece of luggage, inflight meals and the upcoming introduction of onboard Wi-Fi, fuel-battered airlines continue to find new sources of ancillary revenue—including some once included in the base fare. Travel buyers said the increase of unbundling and upselling only adds complexity to managing travel and tracking expenses, although they expect more carriers to continue to expand a la carte pricing models. According to results of a poll of 156 corporate travel buyers conducted by Topaz International on behalf of Business Travel News, nearly 94 percent agreed carriers would further increase ancillary fees through unbundling service options, and 56 percent said fare unbundling would make it more difficult to monitor airline expenses. Among the most recent examples, most major domestic carriers in the past few months adopted a \$25 fee for coach passengers to check a second bag. Though consultants and buyers said the charge, from which most carriers shield elite-status frequent flyers, would affect leisure travelers more than light-packing and luggage-averse business travelers, the fees, and others like them, are posing policy quandaries for travel buyers.

Source: BTNOnline 4-28-08

## BA plans deal with two rival US airlines

British Airways is hoping to build an alliance with two of its largest US rivals in a move which would help position the company at the forefront of the lucrative trans-Atlantic market. A spokeswoman confirmed last night that BA, which is still reeling from the disastrous opening of Heathrow's Terminal 5 last month, was "exploring opportunities for cooperation" with American Airlines and Continental Airlines. But she refused to provide details.

Source: Guardian.co.uk

## A message for road-warriors: No price breaks in sight

Despite claims of a rapidly approaching recession (or ongoing one, depending on whom you talk to), there's one place where CFOs won't see any relief. A company's road-warriors might expect to see lowered hotel prices to help attract business in the slowing economy, but a presentation at the National Business Travel Association's Financial Forum says that just ain't so. Industry analyst Mark Lomano noted that demand growth in hotels has slowed slightly, but average daily rates are still climbing by an average of 5.2% annually. Most hotels are hesitant to react to the market slowdown as they have in the past, so traveling employees will be hard-pressed to ferret out savings. The two areas that drive up costs no matter where employees stay: the minibar and all those hotel "extras." The \$10 cashews and \$8 bottles of water were ridiculously priced to begin with, but travelers will see increases in charges for amenities like baggage holding, Internet access, fax services and room taxes somewhere around the 10% range. Will prices continue to rise everywhere? Not so, say analysts: Economy-priced hotels may soon be forced to lower their rates to stay in business. It'll ease some of the strain on travel budgets, but only if employees use them exclusively.

Source: CFO Daily 4-28-08

## American Matches \$25 Fee For Second Checked Bag

American Airlines will charge domestic coach passengers \$25 for a second checked bag, a move that matches every other U.S. hub-and-spoke carrier. American's baggage policy change, which takes effect on May 12, also applies to American Eagle passengers. Gold, platinum and executive platinum members of American's frequent-flyer program are exempt from the second-bag fee, as are those who purchase full-fare tickets in economy or premium classes. International passengers (except for U.S. flights to and from Canada) also don't have to pay the second-bag fee.

Source: Business Travel Exec May 2008

## Rising costs reshaping air travel across the USA

Record-high oil prices are threatening to ground millions of travelers who have grown accustomed to flying for fun and business during the past 30 years. Air travel in the USA has grown at a rate five times faster than the population since 1978, when deregulation first allowed airlines to compete by setting their own prices and routes without government approval. Last year, 769 million passengers boarded U.S. airline flights. But with today's unprecedented jet fuel prices, airline executives and aviation analysts are warning that only extreme fare increases and dramatic cutbacks in flights will enable the industry to cover a 2008 jet fuel bill the airlines' trade group projects will be 44% higher than last year's. By this time next year, there could be as many as 20% fewer seats available if carriers respond to oil prices well above \$100

Source: USAToday 5-5-08

## Victory: New Bumped Passenger Compensation

NBTA praised last month's announcement by the U.S. Department of Transportation (DOT) and Transportation Secretary Mary E. Peters regarding new rules that increase compensation for passengers involuntarily bumped from overbooked flights. Earlier this year NBTA called for an increase in the compensation due to passengers denied boarding for overbooked flights, and we are pleased that DOT will soon implement such an increase. The new rule will also expand the compensation rule to cover flights operated with aircraft seating 30 people or more; the current rule covers flights with more than 60 seats. Compensation payments are in addition to the value of the passenger's ticket, which the flyer can apply toward alternate transportation or have refunded. Our Government Relations team steadily works to lobby on NBTA members' behalf and provides us the opportunity to get involved in these and other issues that affect business travel. Source: NBTA 5-2-08

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## Delta Launches Service To Edinburgh, Scotland

Delta has started daily service between New York and Edinburgh, Scotland. Delta is using Boeing 757s configured with 16 seats in business class and 158 seats in economy. Passengers will have access to Delta on Demand, the airline's in-seat entertainment, in both classes. Source: Business Travel Exec May 2008

## Doubletree Opens In Springfield, MO

The Doubletree Hotel Springfield has opened in the heart of the suburban business corridor in Springfield, Mo. The 201-room hotel made its debut after a \$9 million renovation of the former Hawthorn Park Hotel. Source: Business Travel Exec May 2008

## United Applies To Serve Moscow And Dubai

United Airlines plans to start passenger-cargo service from Washington Dulles to Dubai and Moscow on October 26, pending government approval. Dubai would become the second Middle East city United serves. The airline already operates daily service linking Washington Dulles and Kuwait. Source: Business Travel Exec May 2008

## US Airways To Cut Capacity; Increase Fares On Routes

In its first-quarter earnings report, US Airways says offset high fuel prices by a further reduction in capacity and increasing fares. The airline will return six Boeing 737s upon scheduled lease expiration during the latter part of 2008 and in early 2009. Mainline capacity will be down approximately 2 percent to 4 percent in the second half of 2008. Increased fares will appear, for example, in the cancellation of all "non-sale fares" that fall below a certain flight distance. For instance, the airline is no longer offering one-way fares that are less than \$69 for flights less than 500 miles. Source: Business Travel Exec May 2008

## Proposed US-VISIT Exit Plan a Concern

NBTA voiced concern about the Department of Homeland Security (DHS) proposal to meet exit requirements of the US-VISIT border security program, a plan to hold airlines responsible for collection of biometric identifiers from non-U.S. citizens as they exit the country. Not only does NBTA feel that immigration enforcement and border security are national security functions that should be managed and funded by the federal government, but this plan would also burden airlines, further increase the cost of travel and ultimately create an undue burden on the already uncertain U.S. economy. Source: NBTA 5-2-08

## Four Points Opens In Tempe, AZ

A Four Points by Sheraton hotel has opened in Tempe, AZ, following an eight-month renovation of a Holiday Inn. The 187-room hotel is within walking distance of Arizona State University's main campus and two light rail stations that provide transportation to the airport and downtown Phoenix. Source: Business Travel Exec May 2008

## Victory: Visa Waiver Expansion

NBTA praised the expansion of the Visa Waiver Program (VWP), currently underway to include eight more nations, which will enable travelers from those countries to travel to the US for 90 days or less without obtaining a formal visa. The visa-free travel made possible by VWP enables the free flow of business between the United States and its most important business and trade partners around the world. The United States and the Republic of Korea (South Korea) last month announced a Memorandum of Understanding (MOU) that will pave the way for the Republic of Korea to become a participant in VWP. The announcement followed the signing of similar bilateral MOUs in recent months between the United States and the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta and the Slovak Republic. Together, the eight nations being added to the

program represent more than one million travelers to the United States annually, a number that is expected to grow under VWP status. The expansion of the Visa Waiver Program is a victory for the people and the economy of the United States and for the eight countries to be added to the program. Source: NBTA 5-2-08

## UAL Merger Discussions With US Airways Intensify

United Airlines parent UAL Corp., spurned last month by Continental Airlines Inc., is intensifying merger talks with US Airways Group Inc. and a deal could emerge in as soon as 10 days, according to people familiar with the matter. The companies have identified more than \$1.5 billion in potential cost savings and revenue enhancements from joining forces, these people say. Discussions have been going on for about six weeks; representatives of the two airlines met on Friday and had talks that were described as detailed and fruitful. Source: WSJ 5-5-08

## Run a Red Light, It Goes on the Tab

WHEN I got around to reading the fine print on my most recent car rental contract, I saw that I had given my rental company the right to plead guilty to any traffic ticket I might receive, and to bill me for the cost later — without my having any say in the matter. Here is the relevant language in the Avis contract, outlining a provision that is similar to those imposed by other car rental companies: "You may bill all charges, parking/traffic tickets included, to the card I use for payment, without any additional signature by me on a voucher." Source: NYTimes 5-6-08