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At The Crossroads

BY DAVID JONAS

Many travel buyers this year find themselves in uniquely challenging positions. Their companies are healthy and growing and must continue chasing business wherever opportunities lie. That means more travel, and perhaps more corporate travelers. At the same time, the financial shocks organizations weathered, the procurement discipline they adopted and the scrutiny applied to every bit of spending has generated an ever-higher level of cost vigilance. The trick is to allow travel programs to meet corporate needs without losing sight of the methods used to make that travel efficient and productive.

Many business travel suppliers are at their own set of crossroads. Mid-2011 brings promise but requires caution.

In absolute terms, business travel is growing. Many corporate travel management companies listed in this year's 27th annual Business Travel Survey reported noticeably larger 2010 transaction volumes.

It was a clear year of recovery. With strong business transient and corporate group demand but new supply constrained, lodging companies, for example, are watching occupancies and average daily rates rise.

However, lukewarm global macroeconomic trends and social upheaval in some regions suggest the current post-recession period may be more challenging than typical financial recoveries. In the airline sector, for example, high-yielding business travel demand is strong and the current pricing environment favors higher fares, but any optimism is muted by fears about fuel prices, which can ruin otherwise positive financial performance. Among car rental companies, demand similarly is strong and fleets are tight, but intense competition has led to lower corporate rates so far in 2011.

The 2011 Business Travel Survey explores the trends and industry developments impacting corporate programs, preferred agreements and service levels for business travelers. To do so, *BTN* editors altered the makeup of this resource issue in an effort to provide more readable data, more relevant comparisons and a better snapshot of the health of the business travel industry's key supplier segments. For example, the annual chauffeured transportation section is not included, owing to a lack of public data and few meaningful comparisons in that highly fragmented business.

The airline section includes for U.S. carriers similar data as in years past, though certain general information has been replaced with corporate travel fare data. Given currency exchange complications and unaligned fiscal calendars, foreign airline companies are excluded.

In past years, *BTN* combined hotel companies and owners of large hotel portfolios, such as real estate investment trusts, and ranked them all by revenues. To produce a more succinct set of tables with information germane to corporate travel management professionals, *BTN* this year is providing key metrics—including average daily rate and occupancy—when available for the major hotel brands, as well as listing the net profits of publicly traded hotel companies. The real estate companies are addressed in a separate table.

As always, *BTN* appreciates the chief executives and owners of the 39 travel management companies who authorized ARC to release data, and again thanks ARC for providing that data to create an apples-to-apples comparison in the TMC section. *BTN* also thanks all the suppliers and industry sources who provided information and commentary, and looks forward to another year chronicling corporate travel. ■



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Business Was Back In 2010, But TMCs Forget About Normal



BY JAY CAMPBELL

Did “normal” come back in 2010? As far as demand is concerned, yes. But is there a normal for travel management companies? Hardly. In 2010, global crises lurked. Suppliers barked about shedding distribution expenses and clients bargained as hard as ever. Travel technology partnerships were risky, and travelers paid increasing attention to non-TMC touchpoints.

Still, last year was one of recovery and heady growth continued into January 2011, according to ARC transaction figures. Megas grew transactions by 13 percent in January of this year, which was on top of the 8.5 percent increase the prior January. Transaction increases settled into the mid-single digits during February through May of this year with the exception of a 4.4 percent dip in April, impacted by unrest in the Middle East and the quake in Japan.

The April year-over-year decline was the first in ARC transactions processed through its Area Settlement Plan—including participating carriers and ARC-accredited locations in the United States, Puerto Rico, and U.S. Virgin Islands—for the mega category in any month since October 2009. ARC includes American Express Business Travel, BCD Travel, Carlson Wagonlit Travel, Hogg Robinson Group and Omega World Travel in that group. Like many other travel management companies, Omega authorized ARC to disclose to *Business Travel News* its actual transactions and ARC sales (see chart, page 10). Excluding Omega, the Big Four in 2010 enjoyed 12.5 percent higher transactions than they did in 2009.

At **Carlson Wagonlit Travel**, 2010 air, car and hotel sales volume for wholly owned operations and joint ventures reached \$24.3 billion, up 13.5 percent. Transactions processed grew 11.9 percent year over year.

“Global business travel is on the rise,” the company announced in March, with “Asia/Pacific leading the way” at 27.7 percent although the TMC cited growth in each region, with Latin America up 18.4 percent, North America increasing by 12.7 percent and Europe, the Middle East and Africa rising 6.6 percent.

“There were many travel disruptions

CONTINUED ON PAGE 12



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Travel Agency Survey Methodology

Business Travel News again this year asked travel management company chief executives to sign release forms and send them to Arlington, Va.-based Airlines Reporting Corp., authorizing the U.S. bank settlement plan organization to release for publication each agency's 2009 and 2010 ARC air ticket transaction and sales data.

BTN invited agencies that book more than half of their sales for business travel through ARC to release ARC data for wholly owned home offices and legal entities, including all branch and satellite ticket printer sales data and the percentage of tickets purchased for domestic travel. ARC provided only ARC air transaction and sales data and the percentage of sales booked for domestic versus international travel. ARC defined net air sales as the total fare amount minus the commission. The sales figure represent the home office location's total net sales. Air transaction counts exclude refunds, exchanges and voids.

All other data, including non-ARC sales and transactions, are self-reported. This volume may include purchases made with carriers that do not participate in ARC (such as Southwest Airlines), through vendor websites, sales to ARC-accredited Corporate Travel Department accounts and such bulk-buy programs as American Airlines' AAirpass. Publicly held American Express and HRG, privately held BCD and Carlson Wagonlit and all online-originating players did not participate.

Company	2010 ARC Air Transactions	2010 U.S. Non-ARC Air Transactions	2010 ARC Air Sales (\$)	2010 U.S. Non-ARC Air Sales (\$)	2009 ARC Air Transactions	2009 U.S. Non-ARC Air Transactions	2009 ARC Air Sales (\$)	2009 U.S. Non-ARC Air Sales (\$)	Primary GDS, % Of 2010 Worldwide Transactions	Affiliations
AAA Allied Group <i>Cincinnati</i>	147,549	15,722	72,527,502	4,851,791	125,386	11,180	53,522,889	3,319,913	Worldspan, 83%	BCD Travel, Virtuoso, AAA
Adelman Travel Group <i>Milwaukee</i>	338,646	57,000	198,300,736	26,000,000	289,597	53,000	150,513,137	22,000,000	Sabre, 100%	Radius, Virtuoso
Adtrav Travel Management <i>Birmingham, Ala.</i>	359,649	ND	174,271,275	ND	309,800	ND	156,750,918	ND	Sabre, 90%	Radius, Signature
Altour <i>New York</i>	698,268	78,765	466,435,711	42,035,538	490,054	62,524	329,985,781	36,818,143	ND	Thor, American Express, ABC
American & International Travel Services <i>Memphis, Tenn.</i>	46,288	8,006	23,597,907	2,519,666	47,532	7,652	22,491,640	2,690,528	Worldspan, 100%	BCD Travel, CBTG
Atlas Travel <i>Milford, Mass.</i>	160,091	16,681,116	96,320,253	16,681,116	132,195	12,981,916	70,614,411	12,981,916	Sabre, 100%	BCD Travel, Ensemble
Balboa Travel <i>San Diego</i>	93,324	45,814	75,403,181	12,646,858	83,302	46,801	60,131,262	14,970,241	Amadeus, 50% Sabre, 50%	BCD Travel
Best Travel & Tours <i>Chicago</i>	138,343	11,659	73,794,425	3,379,816	93,586	10,215	49,021,936	2,156,987	Apollo, 100%	Radius, Virtuoso
Casto Travel <i>San Jose, Calif.</i>	59,874	17,583	53,180,335	7,220,491	56,571	12,512	46,115,517	4,999,800	Apollo, 98%	HRG, CBTG, Thor
Child Travel Services <i>Colchester, Vt.</i>	39,813	6,859	18,940,343	2,452,091	37,600	7,050	15,934,964	2,526,154	Apollo, 100%	ABC, BCD Travel, Travel Leaders
Christopherson Andavo Travel <i>Murray, Utah</i>	212,841	26,658	121,367,106	8,320,570	194,913	25,267	98,971,869	7,128,909	Worldspan, 100%	BCD Travel, Virtuoso
CI Travel <i>Norfolk, Va.</i>	187,596	29,575	123,834,686	10,717,857	187,504	29,755	121,736,676	10,479,101	Worldspan, 60%	American Express
Conference & Travel Services <i>Fort Wayne, Ind.</i>	37,409	6,361	19,374,729	2,149,707	37,126	5,885	16,782,390	1,860,771	Apollo, 100%	Travel Leaders

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Covington International Travel <i>Glen Allen, Va.</i>	53,618	8,264	32,382,646	2,429,569	51,505	8,529	28,106,597	2,641,858	Apollo, 87%	BCD Travel, Travelsavers
Directravel <i>New York</i>	256,151	ND	151,454,460	ND	217,473	ND	118,023,952	ND	Apollo, 90%	American Express
Euro Lloyd Travel Group <i>East Meadow, N.Y.</i>	19,324	7,100	17,589,075	8,350,000	17,344	4,600	13,208,403	5,521,000	Sabre, 100%	Travelsavers
FCm Travel Solutions <i>Chicago</i>	455,322	29,919	276,549,645	12,752,883	417,131	24,942	231,515,321	10,000,000	Sabre, 100%	FCm
Fox World Travel <i>Oshkosh, Wis.</i>	147,943	ND	67,640,047	ND	125,706	ND	52,290,996	ND	Apollo, 100%	ND
Frosch Travel <i>Houston</i>	568,901	18,000	411,355,753	25,000,000	378,982	15,000	260,477,187	20,000,000	Sabre, 70%	Global Specialist Markets (GSM), Signature
Gant Travel <i>Bloomington, Ind.</i>	94,298	20,336	60,086,043	5,796,823	80,914	19,181	43,289,421	4,584,760	Apollo, 100%	Radius, Travelsavers
Global Travel <i>Boise, Idaho</i>	48,978	27,237	22,211,265	7,043,598	51,044	32,572	21,784,049	7,845,484	Apollo	BCD Travel
Hess Corporate Travel <i>Bountiful, Utah</i>	70,554	11,904	44,524,442	3,126,421	72,076	10,148	37,239,538	2,463,007	Worldspan, 100%	American Express
Kintetsu International <i>New York</i>	68,479	4,095	55,974,813	2,346,135	66,063	2,928	47,635,983	870,619	Apollo, 100%	ABC, Thor
Maupin Travel <i>Raleigh, N.C.</i>	32,144	6,055	17,678,969	2,270,880	31,954	5,670	16,257,179	2,126,376	Amadeus, 100%	BCD Travel, Virtuoso
National Travel Service <i>Charleston, W. Va.</i>	80,755	14,035	40,582,329	3,838,900	78,708	14,336	38,347,067	4,119,897	Apollo, 99%	American Express
Omega World Travel <i>Fairfax, Va.</i>	610,070	739,063	382,724,446	236,500,000	579,155	680,781	360,196,839	217,850,000	Sabre, 60%	Radius
Ovation Travel Group <i>New York</i>	475,165	42,466	406,410,659	15,657,500	292,736	35,350	260,239,875	11,097,749	Sabre, 100%	Radius
SR Travel Service <i>San Francisco</i>	25,239	3,648	31,812,386	1,740,589	21,625	3,688	24,819,918	1,236,301	Sabre, 100%	BCD Travel, Virtuoso
Tangerine Travel <i>Bothell, Wash.</i>	54,682	13,494	27,020,451	3,588,870	41,041	10,404	19,046,652	2,556,685	Apollo, 100%	Radius, Virtuoso
Teplis Travel Service <i>Atlanta</i>	53,778	14,088	38,723,852	3,762,100	48,838	13,520	33,305,836	3,872,557	Sabre, 50% Worldspan, 50%	ABC, TWINS Global Agency Network, Travelsavers
Travel and Transport <i>Omaha, Neb.</i>	853,370	788,703	425,987,203	327,980,064	726,265	710,506	331,010,668	322,719,992	Apollo, 60%	Radius, Virtuoso

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Travel Leaders Group <i>Holland, Mich.</i>	1,336,574	230,408	926,605,069	106,973,510	962,534	196,523	626,976,324	87,181,198	Sabre, 80%	ABC, GlobalStar, Travel Leaders
Travel Store <i>Los Angeles</i>	150,057	58,317	98,209,131	13,914,000	126,079	49,347	76,887,507	11,818,000	Sabre, 80%	BCD Travel, Signature
TS24 <i>New Albany, Ohio</i>	101,945	ND	48,876,496	269,300,874	89,246	ND	36,928,157	272,122,520	Sabre, 90%	Lufthansa City Center, ABC
Ultramar <i>New York</i>	240,006	42,717	201,423,980	9,654,000	198,045	36,617	147,159,616	7,836,000	Sabre, 99%	GlobalStar
UStavel <i>Anchorage, Alaska</i>	230,525	17,097,937	112,190,257	4,600,612	197,040	19,573,592	99,758,432	4,370,687	Apollo, 98%	BCD Travel, Signature, Int'l Travel Partnership
Valerie Wilson Travel <i>New York</i>	88,511	10,689	90,346,389	7,750,000	85,044	11,929	77,054,242	8,850,000	Sabre, 82%	ABC, CCRA, Virtuoso, CLIA
World Travel Inc. <i>Douglasville, Pa.</i>	587,074	93,141	342,769,597	27,893,256	488,458	81,432	260,133,369	22,561,821	Apollo, 84%	Radius, Ensemble
World Travel Service <i>Knoxville, Tenn.</i>	208,105	37,762	108,798,757	10,613,709	135,255	21,217	65,688,858	5,283,572	Worldspan, 100%	BCD Travel, Ensemble

CONTINUED FROM PAGE 6 including heavy snowfalls in Europe and the United States and the Iceland volcano eruption,” noted CWT president and CEO Douglas Anderson.

For **American Express Business Travel**, global corporate travel sales in 2010 grew 20 percent to \$17.5 billion. Driven by both higher average price and more transactions, 20 percent growth continued into the March 2011 quarter.

BCD Travel reported \$14.6 billion in 2010 sales, which according to the company surpassed “the revenue level from before the international crisis.” First-quarter 2011 sales were higher than ever, according to executives.

“The positive trend of the first half of 2010 has continued solidly and our sales increased by over 20 percent,” according to BCD Holdings CEO Joop Drechsel. “The revenues have hereby topped the former level of 2008 and the prospects for 2011 are good as well.” BCD noted expansion in the Far East and South America.

Client spending at **Hogg Robinson Group** jumped 20 percent at constant currency, after a 17 percent decline in 2010. The publicly traded company for

the 12 months ending in March reported a 16 percent increase in pre-tax profit to £32.9 million. Revenue grew 10 percent to £358 million while client transactions rose 17 percent after a 3 percent fall in 2010. Client spending in Asia/Pacific rose 31 percent on 37 percent higher transactions, while North America spend was up

Travel unit. At HRG, average headcount in the latest fiscal year was 84 percent of the 2008 level, while revenue per full-time employee rose to 109 percent versus 2008.

When asked about the legacy of the financial crisis, BCD’s Drechsel in an interview this month with *Business Travel News* said, “It has been a learning experience. We

All of the large travel management companies are operating leaner than they did in 2008, as the global economic crisis resulted in significant headcount reductions.

22 percent with transactions increasing 24 percent. European spend grew 18 percent on 13 percent more transactions.

All of the large travel management companies are operating leaner than they did in 2008, as the global economic crisis resulted in significant headcount reductions. Some of the cuts continued into 2011, with American Express letting go an undisclosed number of people including some senior executives in its Business

came through that period much stronger and not at all beaten. We were at the forefront of cutting our costs and rightsizing the company. It was done at the expense of some very good people who unfortunately we had to let go, but as a result we remain financially robust despite taking the hit. It’s still a scary world out there. Every now and then in the global political arena, we go from crisis to crisis, which potentially has impact. So I want to be very cautious.”

Online TMCs

Like the Big Four, online travel management companies including Egencia, Orbitz for Business and Travelocity Business do not authorize ARC to disclose financial figures to *BTN*.

In its monthly and annual transaction reports, ARC includes these entities in the online travel agency category, which showed robust growth in 2010 but is highly skewed toward those companies' online consumer businesses; the corporate travel divisions drive less than 10 percent of sales. Nevertheless, Expedia and Orbitz do reveal some information about their corporate travel arms' respective performances.

For **Egencia**, profitability came at last in 2010 as pre-tax earnings reached \$17 million. Gross bookings volume—or the “total retail value of transactions booked”—rose 41 percent to \$1.94 billion, boosting revenue 32 percent to \$143 million.

Morgan Stanley analyst Scott Devitt estimated that Egencia in 2011 would grow annual gross bookings volume to \$2.35 billion and to \$2.75 billion by 2012. Expedia CEO Dara Khosrowshahi said the firm is seeking “tuck-in acquisitions” for Egencia, which has been expanding its global footprint.

During the March 2011 quarter, Egencia generated 25 percent higher revenue of \$42 million. “The cost of travel has gone up and we haven't seen the cost of travel discouraging business travel,” noted Khosrowshahi.

Orbitz for Business recorded 21 percent higher transaction volume in 2010 than the year earlier, according to executives. The company in March of this year announced a new strategy for global coverage by participating in the Global-Star Travel Management network to take advantage of partnerships in “75 new countries across Europe, Latin America, Africa, Asia (including China and India) and the Pacific.”

Distribution Distraction

Results at Orbitz and Expedia were impacted by distribution disputes with American Airlines, one example of the risks of operating in the travel management business. Until the airline and its global distribution system partners figure out their differences, travel man-

agement companies need to be prepared for not only the possibility of more challenging access to airline content, but also its costs.

As it did under similar circumstances in 2006, Carlson Wagonlit Travel in May informed clients about possible transaction fee increases in the event of changes in the distribution chain. The company indicated that because booking AA outside the GDSs would drive up operational costs, the carrier's exit from those channels would result in a \$3 per-transaction “search” charge applied on all bookings for those clients wishing to include AA in their shopping. An additional \$22 would be charged for book-

ings actually made with AA.

Many TMCs followed suit in 2006 when CWT raised by \$2 clients' air ticket fees to help compensate for a reduction in GDS incentives resulting from “full content” air-GDS deals that included a reduced fee paid to GDSs by airlines and, consequently, a lower incentive paid to the TMC by the GDS.

Given the trauma that would result from AA leaving a GDS, particularly Sabre, industry pundits instead are expecting a similar step-down in fees paid when all is said and done. That would leave travel management companies to determine how much of the impact they would attempt to pass to clients. ■

M&A, Industry Rebound Boost National TMCs

Travel management companies participating in the ARC-verified program of sharing transaction and sales data with *Business Travel News* showed remarkable growth rates in 2010. Among the top 10, Altour, Frosch Travel, Ovation Travel Group and Travel Leaders Group recorded transaction increases of 39 percent to 62 percent.

Certainly these national players benefited from the same business travel rebound that helped global and online TMCs, but some also practice an acquisition option in which the buying TMC acquires the seller's ARC number but not also the seller's physical assets and people. Closely scrutinized by airlines, this method of M&A enables both the buyer and seller to benefit from increased incentive payments from preferred airlines due to the higher volume.

In some cases, full acquisitions were at play in 2009 and 2010. For example, Altour bought The Travel Authority, Frosch bought Linden Travel and Ovation Travel Group acquired Commonwealth Travel Advisors.

Ranking The Participating TMCs*

Company	2010 Transactions	2009 Transactions	% Change
Travel Leaders Group	1,336,574	962,534	39%
Travel and Transport	853,370	726,265	18%
Altour	698,268	490,054	42%
Omega World Travel	610,070	579,155	5%
World Travel Inc.	587,074	488,458	20%
Frosch Travel	568,901	378,982	50%
Ovation Travel Group	475,165	292,736	62%
FCm Travel Solutions	455,322	417,131	9%
Adtrav	359,649	309,800	16%
Adelman Travel Group	338,646	289,597	17%

* Top 10 travel management companies among those that agreed to the disclosure by ARC of their transactions processed through the settlement firm.

Fuel Shadows Optimistic Outlook For U.S. Airlines



BY JAY BOEHMER

After a profitable 2010, analysts expect most major U.S. carriers this year to again finish in the black—that is, unless fuel prices spike once more, demand trends reverse or unforeseen events shock the industry. If those profit forecasts come to pass, the airline sector will have achieved a rare two-year run of positive net earnings, following a lost decade in which U.S. carriers compiled more than \$50 billion in losses.

Calling 2010 “the first year of a recovery”—and a surprising one at that—UBS airline analyst Kevin Crissey this month noted that the industry’s financial recovery typically lags broader economic trends. “In many industries that would be a given,” he said of 2010’s profitable performance, “but in this industry it usually takes multiple years before the airlines reach profitability.”

“Things have changed in the airline space,” Crissey added. “They’re a bit more stable, or at least it appears that they are.”

That’s because the domestic airline industry evidently has outgrown some of its dysfunctional tendencies. Carriers have stopped growing into markets they

couldn’t profitability fly, restrained themselves from adding too much new capacity in existing markets, started charging for services previously included in airfares that many travelers now seem willing to pay extra for and accelerated the pace of consolidation.

At the same time, airlines are fly-

ing with a tailwind of healthy corporate travel demand. Combined with capacity discipline, that has provided renewed pricing power.

Pushing back against the positive trends for airlines is a volatile fuel market, threatening profitability more than any other factor. The run-up in crude oil prices and therefore jet fuel costs—though moderating since May—has prompted downgrades for U.S. airlines’ 2011 profit forecasts. The International Air Transport Association in a revised forecast issued this month indicated that it expects North American airlines this year to generate \$1.2 billion in profits, down from a previous forecast of \$3.2 billion and well below last year’s \$4.1 billion net income.

Business Travel Leads The Way

“From a corporate perspective, we saw a V-shaped recovery,” said Crissey. “What we’re seeing now is a continuation of nice, solid trends on the corporate side. [Airlines] are relying on that because their leisure trends have been frankly schizophrenic.” As Crissey sees it, major U.S. carriers are as dependent on corporate revenue as ever.

There remain “some questions about the pace of the recovery,” said Air Trans-

CONTINUED ON PAGE 16

Domestic Corporate Air Costs Grow

Average Costs By Segment And Mile, January-May

	Average Cost Per Segment		Change	Average Cost Per Mile	
	2011	2010		2011	2010
Alaska	\$169.01	\$170.94	-1%	\$0.19	\$0.19
American	\$223.57	\$216.54	3%	\$0.21	\$0.20
Continental	\$266.58	\$256.73	4%	\$0.23	\$0.22
Delta	\$226.79	\$217.30	4%	\$0.23	\$0.22
JetBlue	\$162.74	\$158.23	3%	\$0.15	\$0.14
Southwest	\$160.41	\$144.39	11%	\$0.23	\$0.21
United	\$244.04	\$228.81	7%	\$0.20	\$0.19
US Airways	\$209.84	\$203.31	3%	\$0.24	\$0.24

Source: Travel GPA data based on more than 5 million domestic air segments booked by primarily U.S.-based travel management companies

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First-Quarter Fuel Costs, Seasonable Softness Hinder Airlines After Profitable 2010

	FY2010 Passenger Revenue (\$ billions)	FY2010 Net Income (\$ millions)	Q1'11 Net Income (\$ millions)
AirTran	\$2.4	\$39	-\$9
Alaska	\$2.8	\$251	\$74
American	\$16.8	-\$471	-\$362
Delta	\$21.4	\$593	-\$318
JetBlue	\$3.4	\$97	\$3
Southwest	\$11.5	\$459	\$5
United*	\$23.9	\$854	-\$213
US Airways	\$7.6	\$502	-\$114

*United data includes Continental pro forma
Source: Company reports

CONTINUED FROM PAGE 14

port Association chief economist John Heimlich this month, but “we have a business-led recovery that seems to be holding up. When you look at Corporate America’s earnings reports and balance sheets, the only thing they’re not doing is hiring. They are traveling to generate business.”

As a result, Heimlich said carriers’ business mix has shifted toward high-yielding corporate passengers and away from price-sensitive leisure travelers. That’s the way airlines prefer it, considering the corporate/premium segment accounts for about 30 percent of U.S. airline passengers “but contributes approximately 70 percent of passenger revenue,” according to Deutsche Bank analyst Mike Linenberg.

Airlines are “leaning more on the quality of the traffic and not the quantity of the traffic,” added Heimlich.

Year to date through May, U.S. travel agency air sales processed through Airlines Reporting Corp. increased nearly 8 percent year over year, even though total transactions declined 2 percent.

That means average fares are rising. American Express Business Travel clients on average paid 10 percent more for domestic U.S. airfares during the first three

months of this year compared with the same period in 2010. The average \$247 one-way domestic fare also surpassed the \$233 average fare paid during the first quarter of 2008. The average first-quarter international one-way fare increased 8 percent year over year to \$1,866.

Corporate travel buyers shouldn’t anticipate those pricing trends to subside any time soon. “They’re expecting to be able to raise prices on you,” Crissey this

Though below this year’s peaks, the cost of jet fuel was 24 percent higher during the first week in June than it was at the same point last year, according to Wolfe Trahan research.

month told corporate travel buyers during a Business Travel Media Group webcast. “You shouldn’t expect a collapse in airline pricing, absent a recession or, you could argue, if fuel prices drop a lot.”

Fare growth has not come exclusively from the corporate segment. Domestic airlines this year by press time had attempted 12 broad fare hikes, seven of

which were successful, according to FareCompare.com. Each success generally added between \$4 and \$10 to the price of a published roundtrip ticket.

Fuel Foiled Early 2011 Profits

Airfares are impacted by demand, capacity and especially fuel prices. West Texas Intermediate crude oil this year on the New York Mercantile Exchange opened at about \$91 per barrel. It peaked in April at nearly \$114, but since has retreated, hovering at press time above \$93. The movement of such prices will be the key determinant of airline growth plans, pricing and profitability.

Dahlman Rose & Co. analyst Helene Becker in a May 31 research note claimed jet fuel prices stabilized between \$3.10 and \$3.20 per gallon—a range at which “we believe airlines should be able to manage the business to grow profitably. However, if we see volatile swings in prices, profitability will be difficult to maintain.”

Though below this year’s peaks, the cost of jet fuel was 24 percent higher during the first week in June than it was at the same point last year, according to Wolfe Trahan research. That singlehandedly put out of reach first-quarter profits for the largest U.S. airlines. For example, United Continental Holdings—now the world’s

largest commercial airline operator—in this year’s first quarter spent \$725 million more on fuel than it did during the first quarter of 2009 and the company overall lost \$213 million.

Supply Growing ... Modestly

U.S. carriers on average plan to grow 2011 capacity by low-single-digit percentages,

focusing that growth primarily in international markets. American Airlines, Delta Air Lines, United Continental and US Airways since the beginning of this year each lowered growth plans amid rising fuel costs, with most of those cuts set to take effect after the peak summer travel season.

Pockets of growth remain in domestic markets: JetBlue Airways and Southwest Airlines plan year-over-year growth rates above the industry average at between 5 percent to 6 percent and 6 percent and 8 percent, respectively. "Capacity in the domestic mainline market for the legacy

airlines is still about the same as it was in the late 1980s," said Crissey. "Basically, the low-cost carriers have been killing them in the domestic market and taking share."

Analysts and airlines note that international growth opportunities remain in Latin America and Asia, which Heimlich called "bright spots." An exception is di-

lion (based on pro forma results including Continental operations before the merger). Delta's "other" revenue grew 5.2 percent in 2010, but some of that was attributed "to more thorough financial disclosure of à la carte activity in its annual report and more SkyMiles program revenue," according to a report prepared for

"Capacity in the domestic mainline market for the legacy airlines is still about the same as it was in the late 1980s," said UBS aviation analyst Kevin Crissey.

Carriers See More International Growth Opportunities

Year-Over-Year Change In Available Seat Miles

	2010	2011*
Domestic		
AirTran Airways	3.3%	NA
Alaska Airlines	5.6%	8.8%
American Airlines	1.0%	2.2%
Delta Air Lines	1.6%	1.3%
Frontier Airlines	0.4%	1.0%
JetBlue Airways	6.7%	7.0%
Southwest Airlines	0.4%	NA
United Airlines	-0.1%	-0.2%
US Airways	1.2%	1.5%
Total	1.5%	1.4%
International		
American Airlines	2.1%	6.2%
Delta Air Lines	1.5%	4.2%
United Airlines	2.1%	2.4%
US Airways	1.2%	1.5%
Total	1.9%	3.8%

*Morgan Stanley estimates
Sources: Company data, Morgan Stanley research, OAG schedules database

saster-stricken Japan, which has been the subject of temporary capacity reductions.

International markets are where U.S. carriers "have the most competitive strength and where they compete against like carriers," Crissey said. "That growth also is in line with what's going on in the corporate market. U.S. corporations are growing more overseas, and the airlines are putting capacity in line with that."

Certain transatlantic markets may be exceptions. Morgan Stanley analyst Bill Green pointed to "overcapacity" on some of those routes, prompting carriers to reduce available seats. For example, SkyTeam partners Delta, Air France-KLM and Alitalia after the summer season will reduce combined transatlantic capacity by 9 percent year over year, reversing previous guidance of up to 8 percent combined growth.

The 'Other' Opportunity

The "other revenue" category in airline financial reports often is a catchall for miscellaneous items. Many carriers include in that line revenue from bag fees, and some count revenues from frequent flyer programs. Though the definition of what qualifies as "other revenue" is as varied as the carriers that report it, airlines have seen growth in that category, and most agree ancillary revenue has played a key role in the industry's financial salvation.

United Continental's "other revenue" last year increased 13 percent to \$2.95 bil-

Amadeus by IdeaWorks.

Baggage fees, one ancillary gold mine reported at the behest of the U.S. Department of Transportation, grew last year: U.S. carriers collected \$3.4 billion from such fees in 2010 compared with \$2.7 billion in 2009, according to DOT. The year-over-year growth rate slowed, however, as U.S. airlines in 2008 collected \$1.15 billion, suggesting to some that ancillary growth opportunities are not endless.

"Ancillary fees are growing and have a great margin, but the opportunity is not as big as it once was," said UBS's Crissey this month.

Wolfe Trahan senior airline analyst Hunter Keay, however, in a research note last month noted that "there remains significant earnings-accretive opportunities" with fees. One look at Ryanair's proposal to charge for bathroom access or Spirit Airlines' fee for stowing carry-ons in overhead compartments suggests airlines have plenty of imagination when it comes to new sources of revenue.

Representing a \$2.7 billion revenue opportunity for U.S. carriers, Keay suggested a fee to check a first bag on international flights is ripe for adoption, particularly on the transatlantic, where three clusters of antitrust-immune alliances control about 80 percent of traffic. "As an important reminder," noted Keay, "international antitrust immunity permits airlines to collaborate on fees." ■

Hertz (Finally) Cruising To Dollar Thrifty Acquisition, Avis Looks To Europe

BY JAY BOEHMER

The past year in the rental car industry played out like a prime-time reality show about two suitors (let's call them Hertz and Avis Budget) contentiously vying for the hand of the industry's most-available prize (we'll call that Dollar Thrifty). This real-life drama appears to be heading for the season finale, in which Hertz ties the knot with Dollar Thrifty, while Avis settles for a different mate, this one with a familiar name and a foreign accent. As in any reality show, last-minute plot twists could alter the presumed outcome.

The latest twist came this month when Avis Budget Group appeared to lose interest in its pursuit of Dollar Thrifty and floated an agreement to purchase Avis Europe for about \$1 billion. Though the company "will continue to monitor the Dollar Thrifty situation," according to a statement, its "focus will be on completing and integrating the significant acquisition of Avis Europe."

To many, that left Hertz as Dollar Thrifty's lone suitor and therefore the presumptive acquirer. Hertz in May offered \$72 per share in cash and stock as part of a deal valued at about \$2 billion. Dollar Thrifty shareholders last September rejected a management-backed Hertz proposal that would have paid \$50.25 per share.

Though the newer Hertz offer for Dollar Thrifty and the Avis Budget proposal to acquire Avis Europe are subject to the whims of investors and the will of regulators, analysts expect both to move forward and further consolidate the U.S. rental market around three major players, also including privately held Enterprise, owner of the Alamo and National brands.

"Three is the magic number for a relatively mature industry," said MKM Partners analyst Chris Agnew. "The industry will be nicely balanced after these rounds of consolidation. In the United States, you're going to have three companies with balanced on-airport market share and balanced brand market share, each with premium and leisure brands. The industry will remain competitive, but you'll avoid irrational, undisciplined competitive behavior." That means less price fluctuations and better industry-wide fleet control.

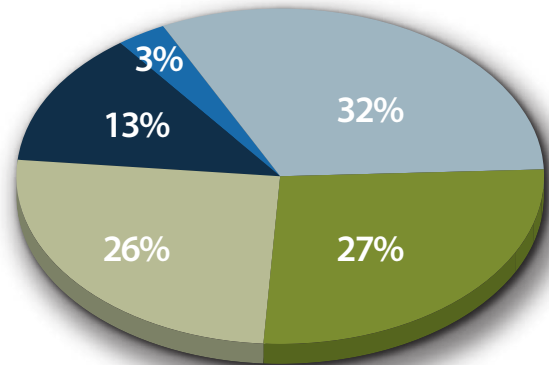
Even before the Avis proposal to "get the brand back together," as Avery described it, analysts suggested that Hertz is a more sensible partner for Dollar Thrifty because its proposal has a better shot of receiving federal regulatory clearance. While Avis, of course, has Budget, Hertz has no similarly large, established midprice brand.

Hertz CEO Mark Frissora last month noted that a Dollar Thrifty acquisition would help his company better compete for corporate business. Hertz's Advantage brand, he explained, "is too low-price to be on the same rate card with Hertz with a corporate customer, so this fills in the middle for us."

Analysts expect that regulatory approval for Hertz's bid would include the condition that the company divests Advantage. Hertz already is working toward that, claiming interest from at least five undisclosed parties.

"We might see one of the small niche players out there, like a Payless, get a little more scale and focus on that part of the market," said Avery. Other contenders could include foreign rental car com-

2010 Car Rental Market Share At Top 50 U.S. Airports



Enterprise¹ Hertz² Other
Avis Budget Dollar Thrifty

¹ Includes National and Alamo brands

² Excludes Advantage brand

Note: Does not total 100% due to rounding.

Source: Abrams Travel Data Services

U.S. Corporate Car Rental Rates Soften

Average Cost Per Day, January-May

	2011	2010	Year-Over-Year Change
Avis	\$48.38	\$48.67	-0.6%
Hertz	\$47.74	\$49.31	-3.2%
National	\$45.67	\$46.88	-2.6%
Enterprise	\$44.64	\$44.24	0.9%
Alamo	\$42.93	\$44.24	-3.0%
Dollar	\$41.82	\$45.11	-7.3%
Thrifty	\$38.87	\$40.59	-4.2%
Budget	\$38.72	\$39.27	-1.4%

Source: Travel GPA data based on more than 700,000 transactions booked by primarily U.S.-based travel management companies

panies looking for a foothold in the U.S. market.

Frissora said he expects Hertz to close the Dollar Thrifty deal as soon as the third quarter.

Avis Seeks Greater International Reach

As for Avis Budget, executives at the company “see the Avis Europe deal from a strategic, tactical and long-term standpoint as something that’s easier to do and makes more sense from a global perspective,” said industry consultant Neil Abrams.

About 25 years after the companies split but maintained cooperation on marketing and other aspects of the business, analysts said a merger between Avis Budget and Avis Europe was bound to happen. Automotive services group D’Ieteren, which owns 60 percent of Avis Europe, has thrown its support behind the deal.

“Because Avis Europe and Avis Budget generally do not have operations in the same jurisdiction, the acquisition is not expected to face significant antitrust obstacles,” according to Agnew. “Avis Europe has been growing its presence in Russia and China, the latter where it has operated for eight years.”

Avis Budget controls its brands in the United States, Canada, Australia and New Zealand. Avis Europe would give it further international reach, making the company more capable of servicing multinational corporate clients.

A more modest global presence and an inability to “own and control their brand worldwide” had been a “liability of Avis in competing with Hertz,” according to Abrams.

Avis Budget expects that its purchase of Avis Europe will close in October.

Corporate Pricing Remains Down, Fleets Still Tight

Industry analysts expect profitable performances this year from the large, publicly traded rental car companies, the result of fleet management, growing demand, stable pricing and a strong used car market. “Most of the companies are going to grow their earnings nicely this year,” said Agnew.

He noted that rental car companies increasingly are buying, not

leasing, vehicles from manufacturers, giving them added returns from used car sales. “In the past they’d take these vehicles from the manufacturers for six to nine months,” Agnew said. Under that model, the rental companies “could take on additional vehicles in the summer and give them back after Labor Day.”

Now, however, rental fleet levels are less dynamic. “They’ve changed that model and they buy the vehicles outright and own them,” Agnew continued. “To make the economics work, you need to own the vehicle for about 15 to 18 months, so you have less capacity to adjust for that summer seasonality. That means they’ll get better peak period pricing and worse pricing in trough demand periods. You’re carrying a little extra fleet in January and February when demand’s lighter, and you’re a little tighter on fleet when customers really want the cars.”

The expected strength in pricing, however, this year has not yet led to higher corporate rates, and executives speaking during first-quarter earnings calls said they anticipated modest declines this year.

Avondale Partners analyst Fred Lowrance also noted tighter fleets for the peak summer season. “All companies remain cautiously optimistic on prospects of pricing power,” he said. “Obviously, the macroeconomic headlines don’t sound very good, but so far none of this has translated into a drop-off in rental car business.”

The expected strength in pricing, however, this year has not yet led to higher corporate rates (see chart, page 19), and executives speaking during first-quarter earnings calls said they anticipated modest declines this year. Hertz’s Frissora, for example, said he expected corporate pricing this year to be down 1 percent. Avis Budget CEO Ron Nelson said the 1 percent drop in commercial pricing during the first quarter was “reflecting intense competition.” ■

Car Rental Companies

	2010 Net Income (\$ millions)	2010 Car Rental Revenue (\$ billions)	2009 Car Rental Revenue (\$ billions)	2010 Rental Days (\$ millions)	2010 Average Corporate-Owned Fleet Size
Avis Budget Group	\$54	\$4.8	\$4.8	84.2	318,530
Dollar Thrifty Automotive Group	\$131	\$1.5	\$1.4	30.3	112,614
Enterprise Holdings	ND	\$12.6*	\$12.1*	ND	1,100,000
Hertz Corp.	-\$31	\$6.4	\$5.9	127.2	445,201

*Self-reported total revenue, including National and Alamo brands

Source: Company reports

Higher Costs, More Travel Boost Card Billing Volume

BY MARY ANN McNULTY

Payment providers by and large enjoyed a record 2010, driven by higher travel costs, increased travel and for some, more corporate accounts and cardholders.

But the payment landscape in 2010 also began to see signs of a significant shift to mobile payment, single-use and more specialized card options, and new players—including the likes of Google. Across the board, card providers last year invested in such commercial payment options as beefed up executive cards, rewards programs, expense reporting solutions and partnerships. As part of their new strategies for growth, payment networks acquired such companies as anti-fraud software providers and those with online or mobile expertise.

While a variety of regulatory changes are expected in the United States, Europe and elsewhere, the impact on commercial cards remains somewhat murky. Some fear a potential reduction in rebate dollars should banks have fewer fees to pass around. But

many of the regulations are focused on debit, not credit or charge cards that usually are used by corporations to manage travel and entertainment expenditures.

Following are some highlights of 2010 developments at card issuers and payment network providers, and a glimpse into 2011.

AirPlus International

AirPlus International announced an “outstanding 2010” in which it grew global charge volume 23 percent to more than £21 billion. The growth primarily was driven by the addition of more than 2,000 new customers, now numbering more than 35,000 worldwide, according to managing director Klaus Busch. But a 12 percent rise in flight volume, 5 percent more trips booked by existing customers and higher prices for train tickets, hotel stays and car rentals also helped to boost volumes.

In the United States, AirPlus International Inc. president Richard Crum said 2010 charge volume was up 43 percent while revenue rose 15 percent.

AirPlus officials highlighted growth trends for one of its large global customers headquartered in the United States: Compared to 2009, the unidentified company’s travelers took 46 percent more trips in 2010 and charged 54 percent more expenses. That customers’ use of business class, which AirPlus deemed as indicative of the industry, edged up slightly to 15 percent, versus 12 percent in 2009, and rose again in the first quarter of 2011, to 18 percent.

American Express

After a 14 percent drop in 2009 revenues, American Express Co. reported 13 percent revenue growth in 2010. In the United States, 2010 billings rose 13 percent while on a currency-adjusted basis, billings rose 22 percent in the Japan-Asia market, 14 percent in Latin America and 10 percent across Europe, the Middle East and Africa.

For Global Commercial Services, which includes both the corporate card and travel segments, Amex noted that after four consecutive quarters of billing decreases through 2009’s third quarter, billing growth shot up 18 percent in the first quarter of 2010, followed by successive quarterly gains of 21 percent, 19 percent

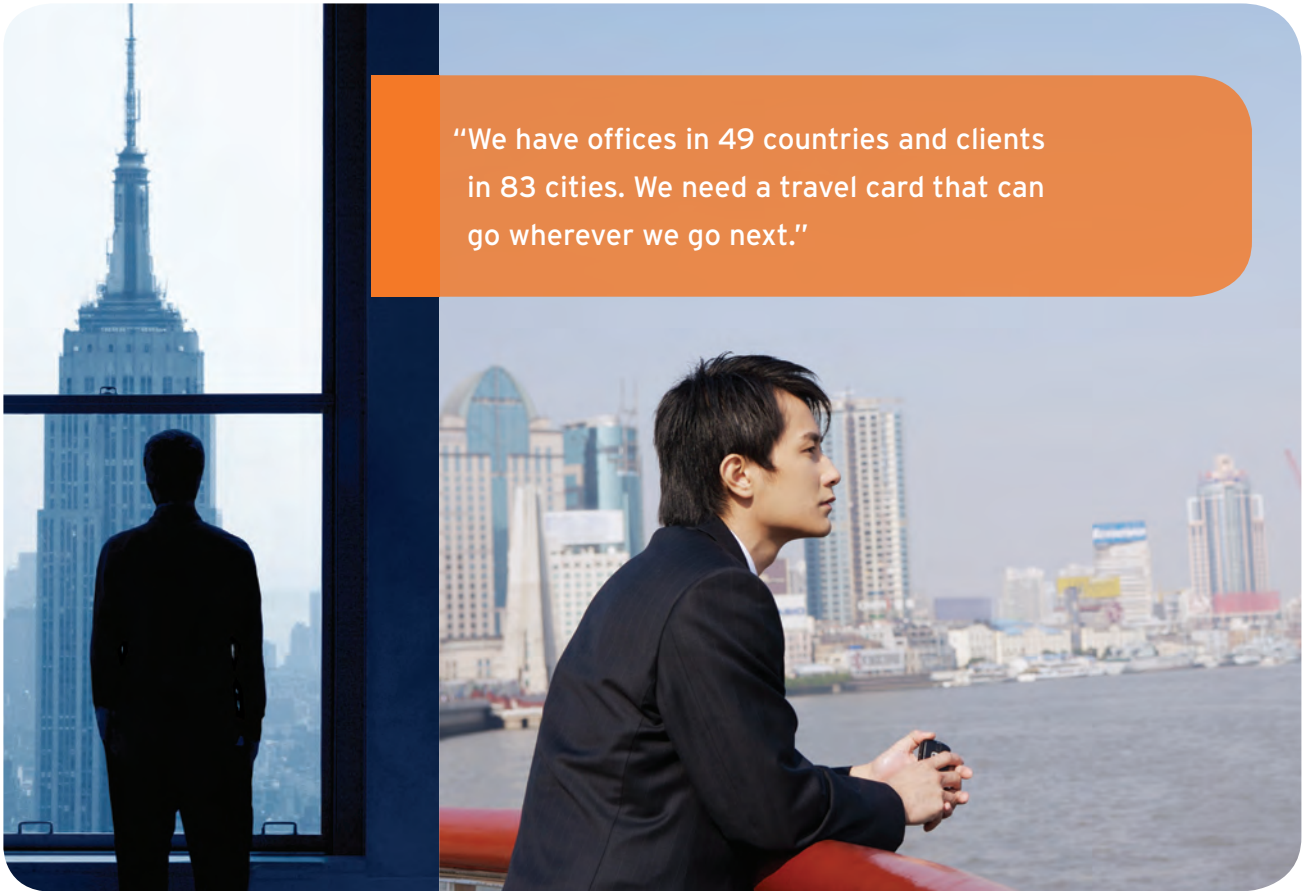
CONTINUED ON PAGE 22

Payment System Issuers

Card Issuer	2010 Volume Charged By U.S.-Based Corporate T&E Accounts	2009 Volume Charged By U.S.-Based Corporate T&E Accounts	2010 Volume Charged Across All Cards Issued	Payment Network	Currencies Available For Global Reporting
AirPlus	NA	NA	\$28 billion	UATP/MasterCard	NA
American Express	\$132.8 billion	\$111.2 billion	\$187.9 billion	American Express	44
Bank of America	NA	\$2.2 billion	NA	MasterCard/Visa	NA
BMO	\$6.1 billion	\$5.8 billion	NA	MasterCard	150+
Citigroup	NA	\$10,981 billion ¹	NA	MasterCard/Visa	59
JPMorgan Chase	\$6.4 billion	\$4.8 billion ¹	NA	MasterCard/Visa	31
MasterCard	NA	NA	\$1,770 billion	MasterCard	Any currency
U.S. Bank Payment Systems	\$5.5 billion	\$5 billion	\$44 billion	Visa	32
Visa	NA	NA	\$344 billion ²	Visa	NA

¹ BTN estimate

² includes “commercial and other”



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CONTINUED FROM PAGE 20

and 17 percent. In the first quarter of this year, Amex reported that GCS billed business was up 19 percent to more than \$36.6 billion, driven by an 18 percent increase in average spending per proprietary card in force with average basic commercial cardmember spending of \$5,175, up from the \$4,400 average a year earlier.

American Express in November 2010 completed its acquisition of fraud prevention tech firm Accertify. In early 2011, Amex rebranded Revolution Money, a person-to-person payment service it acquired in 2010, under the new name of Serve.

Throughout 2010, company executives noted how they reinvested in their core products and services, with partial funding from the Visa and MasterCard litigation settlements. As part of antitrust settlements, Visa agreed to pay Amex an initial payment of \$1.13 billion and quarterly payments of up to \$70 million for four years through 2011. MasterCard agreed to make quarterly payments of up to \$150 million for three years through the second quarter of 2011.

Amex in 2010 introduced international dollar/euro corporate cards in 24 additional countries and launched ruble-based business travel accounts for Russian customers.

American Express in 2010 also promoted both its single-use virtual account payment solution called vPayment and buyer-initiated payments that allow Amex to pay business-to-business suppliers electronically on behalf of clients who use the service to better manage their float. Amex and SAP in 2010 announced plans to develop an “integrated corporate payments solution for joint customers in the United States” to streamline the integration of their respective products.

With partner Concur Technologies, Amex in 2010 introduced to midsize U.S. clients the Concur Breeze expense reporting technology.

Meanwhile, American Express trialed social currency with Foursquare at South by Southwest in Austin, and planned to announce the results by this fall.

BMO Financial Group

BMO Financial Group expects “mid-single [percentage] digit increases” in commercial card volume this year, “driven by the continuing, but slow economic recovery and increased air costs caused by higher fuel prices,” said BMO executive managing di-



rector Terry Wellesley.

BMO at year-end 2009 bought the Diners North American franchise from Citigroup and within months opened a new account management center near Chicago. BMO conveyed plans to migrate within a year all Diners customers off the Citibank customer service platform.

“We are on track with our migration efforts,” Wellesley said. “Many Diners Club customers have already been migrated to the BMO platform, and by the end of 2011, all clients will be off the Citibank platform.”

Beyond the migration, Wellesley said, “BMO continues to invest in its technologies, reporting and payments capabilities” for all customers, not just those of Diners.

In early 2010, BMO executives said the acquisition of Diners in North America would provide almost \$1 billion in net receivables, \$7.8 billion in card transactions, 6,000 North American corporate clients with nearly 250,000 cardholders and 100,000 Diners Club Professional cardholders in Canada and the United States. But it was up to BMO to sell clients on the new vision. Discover in 2008 acquired the Diners International brand from Citigroup; various entities own Diners franchises around the globe.

Bank of America Merrill Lynch

Bank of America Merrill Lynch was one of a couple banks to go beyond just cards

Payment Networks

Payment Network	Number Of Accepting Merchants	Number Of Accepting Countries	Commercial Cards Issued	Corporate Accounts
AirPlus International	NA	59	1.2 million	35,000
American Express	NA	125	7.1 million	NA
MasterCard Inc.	31.7 million	200	30 million	NA
Visa	30 million	200	NA	NA

Sources: Company data

and offer clients an integrated card and expense management solution. It purchased that solution, called Works, a few years ago from a Texas developer.

To serve the global needs of its client base, Bank of America had to globalize the technology and as of 2010 had introduced it in North America, Asia and Europe, with plans to expand to Latin America this year.

Citi

After selling its Diners Club brand to Discover in 2008 and the Diners North American franchise to BMO at the end of 2009, Citigroup last year focused on global expansion. As of May, it had local-issuance capabilities in 59 countries, with recent card launches in Greece, Luxembourg, New Zealand and the United Arab Emirates. "Our clients expect global consistency, they want the same implementation experience," said Hubert J.P. Jolly, global head of commercial cards for Citi Global Transaction Services.

In May, Citi further diversified its payment

card offering with the launch in North America of a Citi Project Card to help companies link to one card budgets, project duration and expenditures. Citi this year plans to introduce the Project Card in Europe, the Middle East and Africa, and next year in Asia.

Last summer, Citi launched the Citi Meeting Card to help *Fortune* 500 companies corral "an estimated \$500 billion" global spend on meetings and events. The solution provides corporations with enhanced security and controls, declining balance and virtual card options.

Citi in 2010 also expanded its procure-to-pay solutions to Europe, the Middle East and Africa, and garnered contracts from Vodafone and Philips for its end-to-end solutions. After signing BASF to its commercial card program, Citi in October 2010 announced that nearly 500 multinational corporations rely on its global card programs that reside in Citigroup's Institutional Clients Groups, which overall serves more than 65,000 corporations.

JPMorgan Chase

JP Morgan Chase also reported growth of its commercial card portfolio, enhanced during the year to improve the "cardmember experience" and incorporate an expense reporting solution.

Chase in mid-2010 moved midmarket commercial clients to MasterCard's smartdata.gen2 reporting platform. It also introduced a two-tiered executive card program to allow clients to choose the services and perks needed. Chase also revamped its midmarket rewards program to enable cardholders to earn points across all merchant category codes and eliminated point caps and expiration dates.

JP Morgan this spring also began offering clients an integrated expense management-card solution through a partnership with IBM Global Expense Reporting Solutions. Card transition data, along with e-receipt data direct from travel suppliers, is automatically uploaded to IBM's expense application for joint customers.

MasterCard

At year-end 2010, MasterCard reported 30 million commercial credit and charge cards worldwide, 5 percent more than a year earlier. That figure is expected to grow in 2011 as the company this year completed its acquisition of the prepaid card program management operations of Traveler Holdings Ltd.

MasterCard Inc. last year gained a new leader as Ajay Banga took over as president and CEO and, as veterans retired, named several new executives to head corporate cards and other areas.

On the consumer side, Google, Citi, MasterCard, First Data and Sprint in May 2011

Card Network Size Across All Card Types And Brands

Network	Payment Volume	Total Volume	Estimated Total Transactions	Cards
American Express	\$613 billion	\$620 billion	5.1 billion	88 million
Diners Club	\$25 billion	\$26 billion	0.2 billion	7 million
Discover	\$100 billion	\$109 billion	1.7 billion	54 million
JCB*	\$75 billion	\$83 billion	0.8 billion	61 million
MasterCard	\$1,852 billion	\$2,454 billion	32.1 billion	966 million
Visa Inc.	\$2,793 billion	\$4,423 billion	62.2 billion	1.808 billion

*April 2008 through March 2009

Source: Visa Inc. filing with the U.S. Securities & Exchange Commission, citing data from MasterCard, American Express, JCB and Diners Club sourced from The Nilson Report

CONTINUED FROM PAGE 23

announced plans to make your phone your wallet with the Google Wallet app. At commercial launch expected this summer, Google Wallet would support both a PayPass-eligible Citi MasterCard or a virtual Google prepaid card. With MasterCard's PayPass, cardholders simply tap the phone to any of the 124,000 PayPass-enabled terminals in the United States and more than 311,000 globally.

U.S. Bank Corporate Payment Systems

U.S. Bank Corporate Payment Systems said card billings for U.S.-based T&E cardholders last year rose nearly 10 percent. But the Minneapolis-based bank set its sights on growing that even more by helping North American corporate customers expand in Europe. The bank in July plans to issue commercial T&E cards in seven European countries. Carrying the brand of U.S. Bank subsidiary Elavon, the cards initially would be issued to customers in the United Kingdom and Ireland, France, Germany, Spain, Italy and Switzerland, said Kurt Adams, who this month took over as

head of U.S. Bank Corporate Payment Systems. He succeeded Robert Abele, who retired after 20 years with the company.

Last year, U.S. Bank introduced its own automated expense reporting solution to clients as a means to further support payment solutions.

Card volume last year rose nearly 10 percent from 2009 and officials expect "2011 spend will be approximately 5 percent higher than 2010 based on the trend thus far this year," according to a spokesman. "Business travel rebounded faster in 2010 than was expected, but growth seems to be flattening out and we would expect a slower rate of growth on an ongoing basis for the next several years."

Visa Inc.

Visa noted that the "global economic recovery drove double-digit growth" across its three primary revenue drivers of payment volume, cross-border volume and Visa-processed transactions. Visa reported a 17 percent year-over-year operating revenue gain in 2010.

Visa announced a partnership with U.S.

Bank for Sycada, a supply chain payment platform for governments and business that such banks as Citi have joined. U.S. Bank provided to the new venture its PowerTrack technology used for years by government procurement card managers.

Visa also announced plans by this fall to launch in North America a new digital wallet that will offer "click-to-buy" functionality. Visa is working on this development with a host of card issuers, community banks, credit unions, acquirers, payment processors and merchants, including Barclaycard US, BB&T Corp., PNC Bank, Regions Bank, Royal Bank of Canada, Scotiabank and U.S. Bank.

In 2010, Visa completed its acquisition of CyberSource, which provides payment and risk solutions to online businesses.

In June, the company announced plans to acquire Fundamo, a mobile financial services platform in developing markets across Africa, Asia and Latin America. It also announced a long-term agreement with Monitise plc, a provider of mobile money solutions for financial institutions in developed geographies. ■



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Demand, Rate Recovery Boosts Hotels

BY MICHAEL B. BAKER

With demand quickly rebounding and rates expected to follow, hotel executives are more bullish about their industry than they have been in years, which could mean tougher 2012 rate negotiations for buyers. The specters of global unrest, rising oil prices and tepid economic activity, however, still threaten to slow the industry's recovery.

From an occupancy standpoint, hotels last year made steady gains that continue in 2011. Overall year-over-year U.S. hotel occupancy increased by 5.6 percent during 2010 and an additional 5.4 percent in the first four months of this year, according to STR. Demand also is strengthening, as hotel executives have been reporting a strong comeback in corporate travel, including the return of some internal meetings that largely had vanished during the recession.

Rate movement has been slower, although hotels have seen some recent success. Overall 2010 U.S. rates fell 0.1 percent but rose 3.1 percent during the first four months of this year, according to STR. Several major multibrand hotel companies during negotiations last year increased 2011 corporate rates by mid-single-digit percentages.

Much of the rate growth in the United States this year has been in the luxury tier, despite generally strong occupancy growth across all tiers. Rate growth has been more muted in the upper upscale and upscale tiers and weak to nonexistent in the lower tiers.

Revenue per available room, which hoteliers view as a key metric in terms of performance, generally has been growing around the world, STR CEO Mark Lomanno said this month at the New York University Hospitality Industry Investment Conference. "For most regions, it's been relatively strong with a little lag in Europe and the Americas," he said.

Meanwhile, hoteliers have been dealing with pronounced occupancy dips in some other regions, particularly as a result of unrest in the Middle East and Africa, and the devastating tsunami and earthquake in Japan. Depending on the country, said Carlson Hotels CEO Hubert Joly, RevPAR growth this year has ranged anywhere between 5 percent and 20 percent.

"It's like saying: 'On average, I'm OK, but my head is in the oven and my feet are in the fridge,'" Joly said.

Hotel Execs: Expect Higher 2012 Corporate Rates

Despite the uncertainties, chief executives of several global multibrand hotel companies said their sales teams later this year would push for corporate transient rate increases of high-single-digit percentages when 2012 contract negotiations commence.

Hilton Worldwide president and CEO Christopher Nassetta this month said high-single-digit percentage rate increases "are where it ought to be, given the base of demand we have on the books, particularly very strong group demand for next year."

Incoming InterContinental Hotels Group CEO Richard Solo-

mons concurred that increases at that level "would be great," though he said market share also would be a priority in negotiations. IHG will continue to promote a dynamic pricing model,

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Hotel Companies

Hotel Co.	Headquarters	Brands	Properties	Rooms	2010 ADR	YOY Change	2010 Occupancy	YOY Change	2010 RevPAR	YOY Change
Accor	Paris		4,229	507,306						
		Sofitel ¹	121	29,987	\$129.87	1.9%	63.4%	4.4 pp	\$82.16	9.8%
		Mgallery	33	3,632						
		Pullman	49	13,924						
		Novotel	395	72,805						
		Mercure	674	83,428						
		Ibis ²	900	107,735	\$76.86	0.8%	68.6%	3.2 pp	\$53.01	5.8%
		All Seasons	115	10,267						
		Etap/Formule 1	480	42,892						
		Hotel F1	252	18,827						
		Motel 6 ³	1,028	100,763	\$42.00	-3.4%	61.1%	2.9 pp	\$25.00	1.5%
		Studio 6	62	6,883						
		Adagio	32	4,060						
		Thalassa	25	2,627						
AmericInn International	Chanhassen, Minn.		218	12,233	Not available (privately held)					
Best Western	Phoenix		4,042	309,115	Not available (privately held)					
Carlson	Minneapolis		1,064	162,143	Not available (privately held)					
		Country Inns & Suites	488	39,058						
		Park Inn	114	20,849						
		Park Plaza	39	7,657						
		Radisson	423	94,579						
Choice Hotels International	Silver Spring, Md.		6,142	495,145	\$70.50	-1.0%	51.3%	1.9 pp	\$36.18	2.8%
		Comfort Inn	1,986	152,247	\$77.21	0.1%	55.6%	1.5 pp	\$42.93	2.9%
		Comfort Suites	635	49,885	\$82.48	-2.7%	55.2%	1.9 pp	\$45.53	0.8%
		Quality	1,389	128,092	\$66.81	-1.8%	48.1%	2.1 pp	\$32.11	2.6%
		Sleep Inn	408	30,048	\$68.82	-1.2%	51.6%	0.1 pp	\$35.52	-0.9%
		Clarion	320	45,294	\$75.15	-3.4%	43.7%	1.5 pp	\$32.86	0.0%
		Cambria Suites	19	2,328	NA	NA	NA	NA	NA	NA
		MainStay Suites	38	2,987	\$65.60	-7.0%	63.6%	5.7 pp	\$41.71	2.2%
		Suburban Extended Stay	64	7,685	\$39.23	-5.5%	63.8%	7.5 pp	\$25.03	7.2%
		Econo Lodge	848	51,537	\$54.10	-1.0%	45.8%	2.3 pp	\$24.80	4.3%
		Rodeway Inn	389	21,261	\$51.07	-2.7%	43.0%	2.8 pp	\$23.38	3.7%
		Ascend Collection	42	3,326	\$112.50	-3.0%	57.6%	8.2 pp	\$64.81	13.2%
Concorde Hotels & Resorts	Paris		29	7,045	Not available (privately held)					
Dolce Hotels & Resorts	Rockleigh, N.J.		27	5,716	Not available (privately held)					

CONTINUED FROM PAGE 25

which Solomons said has improved market share, and attempt to shift corporate travel to the recently revamped Holiday Inn brand.

Starwood Hotels & Resorts Worldwide president and CEO Frits van Paasschen said he expected corporate travel to continue growing during the coming months, which should give hotels more of an edge in negotiations. "U.S. companies today are extraordinarily strong in terms of their balance sheets," he said. "They're looking at opportunities to grow, get out and travel. With that kind of increase in demand, and supply being constrained for some time to come, it's going to be a great rate environment."

The CEOs said returning group business also is boosting occupancy, leaving room for rate growth. Nassetta said group travel to Hilton properties is showing "no signs of weakness," while van Paasschen said Starwood's business for this summer is coming without the discounting seen in previous years. As a result, CEOs said they expected the group booking window to again expand.

Industry Watching Macroeconomic Factors

Much still depends on economic conditions this summer. While economists at the conference said the chance of the United States sliding back into a recession is slim, they suggested it would be shaken both by the high unemployment rate and such global events as unrest in the Middle East and possible debt defaults by the governments of Greece, Portugal and Ireland. Economic growth, they concluded, is likely to continue but at a modest pace.

Oil prices, at press time around \$93 a barrel, also have the potential to eat away at demand. In a new report, PKF Hospitality Research noted that hotels will see only minimum disruption if oil reaches \$125 a barrel, but prices above \$150 would severely curtail the industry's recovery.

Increasing airfares—pressured upward by limited airline capacity growth and rising oil prices—also might force some corporations to reevaluate their travel budgets, particularly for the internal meetings that hotel executives said had begun to return, said Adam Weissenberg, leader of Deloitte & Touche's hospitality and leisure sector. He expects corporate rate hikes

Global Construction Pipeline, By Rooms

Asia/Pacific	182,664
Middle East/Africa	68,588
North America	67,060
Europe	58,697
Central/South America	11,398
<i>Source: STR/STR Global</i>	

therefore to ultimately fall short of the CEOs' expectations, which seem "relatively aggressive when you look at some of the RevPAR numbers in terms of overall growth. There will be increases overall in corporate rates for the upcoming year, but I'm not sure how high they will be."

Any economic slowdown could impact demand, said Kimpton Hotels chief investment officer and executive vice president of de-

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2011 BUSINESS
TRAVEL SURVEY

Hotel Co.	Headquarters	Brands	Properties	Rooms	2010 ADR	YOY Change	2010 Occupancy	YOY Change	2010 RevPAR	YOY Change
Fairmont Raffles Hotels International	Toronto		100	38,000	Not available (privately held)					
		Fairmont	64	27,000						
		Raffles	8	1,300						
		Swissotel	28	9,700						
Four Seasons Hotels & Resorts	Toronto		84	NA	Not available (privately held)					
Guoman Hotels	London		40	8,443	Not available (privately held)					
		Guoman	5							
		Thistle	35							
Hilton Worldwide	McLean, Va.		3,671	604,781	Not available (privately held)					
		Waldorf Astoria	23							
		Doubletree	245							
		Conrad	16							
		Embassy Suites	210							
		Hilton	538							
		Hilton Garden Inn	513							
		Hampton	1,815							
		Hilton Grand Vacations	37							
		Homewood Suites	304							
Hongkong & Shanghai Hotels⁴	Hong Kong	Peninsula	9	3,012	\$346.54	6.4%	60.7%	9.3 pp	\$219.46	25.8%
Hyatt Hotels Corp.	Chicago		453	127,507	\$160.90	1.0%	68.6%	4.9 pp	\$110.35	8.7%
		Hyatt/Hyatt Regency ⁵	167	72,577	\$156.00	-1.0%	69.0%	3.4 pp	\$108.00	4.1%
		Park Hyatt	25	5,049						
		Grand Hyatt	37	21,568						
		Andaz	5	1,096						
		Hyatt Place ⁶	161	20,434	\$92.00	-3.3%	71.9%	7.1 pp	\$66.00	7.3%
		Summerfield Suites	34	4,582						
		Hyatt Residence Club	24	2,201						
InterContinental Hotels & Resorts⁷	Denham, U.K.		4,437	647,161	\$106.04	-0.2%	63.4%	3.8 pp	\$67.22	6.2%
		InterContinental	171	58,429	\$158.54	2.4%	65.4%	3.8 pp	\$103.68	8.6%
		Crowne Plaza	388	106,155	\$101.94	-1.1%	59.9%	3.3 pp	\$61.07	4.8%
		Hotel Indigo	38	4,548	\$104.36	-0.2%	59.6%	6.2 pp	\$62.17	11.3%

Hotel Co.	Headquarters	Brands	Properties	Rooms	2010 ADR	YOY Change	2010 Occupancy	YOY Change	2010 RevPAR	YOY Change
		Holiday Inn	1,241	227,225	\$95.12	-0.8%	58.8%	2.9 pp	\$55.97	4.3%
		Holiday Inn Express	2,075	191,228	\$95.55	-0.7%	61.8%	3.0 pp	\$59.04	4.4%
		Holiday Inn Club Vacations	6	2,892	NA	NA	NA	NA	NA	NA
		Staybridge Suites	188	20,762	\$94.16	-3.1%	72.1%	6.8 pp	\$67.90	7.0%
		Candlewood Suites	288	28,353	\$62.30	-6.8%	69.3%	6.8 pp	\$43.16	3.3%
Kempinski Hotels	Geneva, Switzerland		64	15	Not available (privately held)					
Kimpton Hotels & Restaurants	San Francisco		51	10,222	Not available (privately held)					
Loews Hotels	New York		18	NA	Not available (privately held)					
Mandarin Oriental Hotel Group⁸	Hong Kong		26	7,553	\$313.23	6.8%	68.1%	8.5 pp	\$210.26	21.9%
Maritim Hotels	Bad Salzuflen, Germany		51	15,177	\$115.96	13.0%	56.4%	NA	\$65.41	20.1%
Marriott International⁹	Bethesda, Md.		3,545	618,104						
		Marriott	505	178,734	\$143.06	-0.6%	55.6%	3.5 pp	\$95.07	5.0%
		JW Marriott	49	21,987	NA	NA	NA	NA	NA	NA
		Ritz-Carlton	74	22,044	\$280.17	0.3%	67.6%	5.8 pp	\$189.30	9.8%
		Bulgari	2	117	NA	NA	NA	NA	NA	NA
		Edition	1	353	NA	NA	NA	NA	NA	NA
		Renaissance	146	51,008	\$139.71	-1.0%	67.2%	3.5 pp	\$93.82	4.4%
		Autograph Collection	13	3,828	NA	NA	NA	NA	NA	NA
		Courtyard	892	131,069	\$110.00	-1.0%	65.7%	3.1 pp	\$72.27	4.0%
		Fairfield Inn & Suites	658	59,745	\$84.54	-0.3%	63.1%	2.9 pp	\$53.33	4.6%
		Residence Inn	613	74,130	\$112.06	-1.6%	75.3%	4.8 pp	\$84.41	5.0%
		SpringHill Suites	274	32,085	\$97.32	-2.2%	65.7%	3.7 pp	\$63.91	3.6%
		TownePlace Suites	193	19,425	\$80.02	-3.7%	68.7%	6.1 pp	\$55.01	5.6%
		Marriott Executive Apartments	23	3,775	NA	NA	NA	NA	NA	NA
		Other	101	19,804	NA	NA	NA	NA	NA	NA
Millennium & Copthorne Hotels	London		103	29,532	\$138.03	8.9%	71.4%	3.1 pp	\$98.55	13.9%
		Grand Millennium	5	2,473						
		Millennium	39	13,897						
		Copthorne	34	7,083						

2011 BUSINESS
TRAVEL SURVEY

Hotel Co.	Headquarters	Brands	Properties	Rooms	2010 ADR	YOY Change	2010 Occupancy	YOY Change	2010 RevPAR	YOY Change
		Kingsgate	14	1,436						
		Other	11	4,643						
Morgans Hotel Group	New York		14	4,630	\$244.00	1.1%	81.5%	5.5 pp	\$199.00	8.4%
NH Hoteles	Madrid, Spain		397	58,687	\$104.42	-0.1%	62.3%	5.5 pp	\$65.32	9.6%
Omni Hotels & Resorts	Irving, Texas		52	17,000	Not available (privately held)					
Pan Pacific Hotels Group⁹	Singapore		28	8,696	NA	7.0%	70.0%	3.0 pp	\$200.00	13.0%
		Pan Pacific	16	5,111						
		Parkroyal	10	2,990						
		Other	2	595						
Peabody Hotel Group	Memphis, Tenn.		3	2,523	Not available (privately held)					
Red Lion Hotels Corp.	Spokane, Wash.		45	8,630	\$82.42	1.4%	55.8%	1.2 pp	\$45.96	3.5%
Shangri-La Hotels & Resorts¹⁰	Hong Kong		70	29,408	\$282.00	13.7%	74.0%	10.0 pp	\$225.00	43.3%
		Shangri-La	57							
		Traders	13							
Sol Melia¹¹	Palma de Mallorca, Spain		310	78,598	\$101.24	4.5%	63.0%	2.6 pp	\$63.75	8.9%
		Sol	80	25,188	\$70.23	4.5%	59.7%	-1.0 pp	\$41.87	2.7%
		Tryp	96	15,083	\$90.24	2.6%	62.6%	2.9 pp	\$56.45	7.5%
		Melia	109	29,263	\$118.20	8.4%	60.5%	7.6 pp	\$80.17	14.5%
		Premium	25	9,064	\$133.58	-7.2%	58.3%	5.6 pp	\$77.92	2.7%
Sonesta International Hotels Corp.¹²	Boston		33	6,657	\$166.67	3.7%	74.2%	5.8 pp	\$123.56	12.1%
Starwood Hotels & Resorts	White Plains, N.Y.		1,041	307,297	\$160.00	0.9%	66.6%	5.1 pp	\$106.57	9.4%
		Sheraton	403	140,382	\$142.58	1.3%	65.7%	5.2 pp	\$93.69	10.1%
		Westin	176	68,488	\$170.82	0.9%	68.8%	4.7 pp	\$117.57	8.2%
		St. Regis/Luxury Collection	89	16,629	\$295.65	-1.9%	62.9%	5.4 pp	\$186.09	7.4%
		W	38	11,206	\$233.98	4.7%	73.7%	9.4 pp	\$172.38	20.1%
		Le Meridien	100	26,678	\$186.78	-0.3%	67.7%	4.2 pp	\$126.43	6.3%
		Aloft	46	6,827	NA	NA	NA	NA	NA	NA
		Element	9	1,428	NA	NA	NA	NA	NA	NA
		Four Points by Sheraton	158	27,391	\$105.83	2.3%	64.8%	4.1 pp	\$68.59	9.2%
		Other	22	8,268	NA	NA	NA	NA	NA	NA
Wyndham Hotel Group	Parsippany, N.J.		7,207	612,735	\$64.85	-1.0%	48.0%	1.7 pp	\$31.14	2.6%

Hotel Co.	Headquarters	Brands	Properties	Rooms	2010 ADR	YOY Change	2010 Occupancy	YOY Change	2010 RevPAR	YOY Change
		Baymont	261	21,933	\$60.60	-3.0%	46.5%	1.3 pp	\$28.19	-0.2%
		Days Inn	1,877	149,980	\$60.46	-2.9%	45.5%	0.6 pp	\$27.52	-1.5%
		Howard Johnson	474	46,362	\$60.05	-1.9%	45.2%	3.0 pp	\$27.13	4.9%
		Knights Inn	336	20,335	\$42.28	-0.4%	37.3%	0.1 pp	\$15.76	-0.2%
		Super 8	2,174	136,267	\$55.54	-2.0%	49.3%	0.8 pp	\$27.41	-0.3%
		Travelodge	436	31,908	\$63.51	2.7%	44.7%	1.3 pp	\$28.39	5.7%
		Tryp	94	13,692	\$92.47	NA	62.6%	NA	\$57.86	NA
		Wingate	165	15,066	\$79.09	-4.9%	57.6%	4.0 pp	\$45.56	2.3%
		Wyndham	101	28,311	\$109.23	-4.7%	55.0%	2.4 pp	\$60.10	-0.2%
		Hawthorn Suites	76	7,100	\$75.78	-9.3%	55.4%	3.8 pp	\$41.98	-2.6%
		Microtel	316	22,539	\$57.35	-6.3%	49.8%	7.6 pp	\$28.54	10.4%

¹ Metrics represent results from all Accor upscale and midprice properties in Europe.

² Metrics represent results from all Accor economy properties in Europe.

³ Metrics represent results from all Accor economy properties in the United States.

⁴ *BTN* determined metrics based on a weighted average of results across all Peninsula properties.

⁵ Metrics represent results from all full-service Hyatt properties in North America.

⁶ Metrics represent results from all select-service Hyatt properties in North America.

⁷ All brand financial data represents properties in the Americas only.

⁸ *BTN* determined metrics based on a weighted average of data from 15 properties listed in Mandarin Oriental's annual report.

⁹ All brand financial data represents properties in North America only.

¹⁰ Metrics represent results from Mainland China hotels, which make up the bulk of Shangri-La's portfolio.

¹¹ Metrics represent owned and managed hotels only.

¹² Metrics represent weighted average of Sonesta hotels in Boston and New Orleans

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velopment Joe Long. "The economy is improving but teetering, and travel is an easy thing to cut back," he said. "If you're at a company, you can just say, 'We're not going to have Meeting X,' and multiply that by thousands of companies, and you can see how it happens."

Long also noted that many hoteliers were overly bullish about corporate rates for this year. "The large corporations still have a lot of clout, and negotiated rates didn't go up as people were hoping," he said. "You weren't getting 10 percent out of Coca-Cola or IBM or Google."

Nevertheless, the CEOs said they expected rates to trend higher for the next several years. With financing difficulties constraining supply growth, Hilton's Nassetta said that demand is outpacing supply globally, in some regions with a spread as high as 7 percentage points, and called the gap between supply and demand the most favorable he'd ever seen.

"As long as the economies around the world have a global GDP growth of 4-plus percent, nobody is building except in a few se-

lect places around the world and demand globally is going up much faster than anyone can add supply, you're going to get increasing RevPAR growth by rate," Nassetta said.

Minimal U.S. Supply Growth

Long cautioned that while new hotels often are aggressive in lowering rates to court new business, new supply in New York City

In a new report, PKF Hospitality Research noted that hotels will see only minimum disruption if oil reaches \$125 a barrel, but prices above \$150 would severely curtail the industry's recovery.

also has the potential to stymie rate growth there, although the city has seen strong overall hotel performance.

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Outside of a few pockets such as New York, the midprice hotel tier and development efforts like Carlson's upper upscale Radisson Blu project, supply growth in North America during the next few years will be particularly slow, with China being the chief focus for most hotel companies. Nearly one-third of the rooms in development are in Asia/Pacific, according to STR. Of the five major global regions, North America's active hotel pipeline ranks third.

Only about 15 percent of the rooms under construction globally are in North America, Lomanno said.

Nassetta, who remarked that "he spends most of his life these days outside of the U.S.," said that about 75 percent of the 50,000 rooms Hilton has under construction are outside of the United States, and the overall pipeline recently shifted to a majority of non-U.S. rooms for the first time in the company's history. Starwood in

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Hotel Company Financial Data

Hotel Company	2010 Net Income (\$ millions)	Q1 2011 Net Income (\$ millions)	YOY Q1 Change
Accor	\$4,783.3	NA	NA
Choice Hotels International	\$107.4	\$15.7	0%
Hyatt Hotels Corp.	\$66.0	\$10.0	100.0%
InterContinental Hotels Group	\$397.0	\$112.0	35.0%
Mandarin Oriental Hotel Group	\$44.1	NA	NA
Marriott International	\$435.0	\$101.0	22.0%
Melia Hotels International	\$66.4	\$6.5	484.0%
Millennium & Cophorne Hotels	\$232.6	NA	NA
Morgans Hotel Group	-\$90.0	-\$32.9	-100.1%
NH Hoteles	-\$54.7	\$2.0	104.3%
Orient-Express	-\$63.0	-\$14.4	20.5%
Pan Pacific	\$55.2	\$10.5	-17.0%
Red Lion Hotels Corp.	-\$8.6	-\$4.8	9.0%
Shangri-La Hotels & Resorts	\$312.9	NA	NA
Sonesta International Hotels Corp.	-\$2.0	-\$2.0	-6.4%
Starwood Hotels and Resorts	\$477.0	\$30.0	233.3%
Wyndham Worldwide	\$379.0	\$72.0	44.0%

Source: Company reports

2011 Largest Hotel Companies, By Region

North America		
Company	Rooms	Hotels
1. Hilton Worldwide	505,654	3,328
2. Wyndham Hotel Group	494,497	6,377
3. Marriott International	486,787	3,029
4. InterContinental Hotels Group	422,726	3,386
5. Choice Hotels International	419,918	5,306
European Union		
Company	Rooms	Hotels
1. Accor	246,665	2,272
2. Best Western	89,092	1,309
3. InterContinental Hotels Group	84,653	545
4. Groupe du Louvre	66,705	942
5. NH Hoteles	51,121	354
Latin America		
Company	Rooms	Hotels
1. Accor	28,634	187
2. Marriott International	22,532	90
3. Sol Melia	19,715	58
4. Wyndham Hotel Group	15,989	112
5. InterContinental Hotels Group	13,757	66

Source: MKG Hospitality

Hotel Management Companies

Company	Headquarters	2010 Net Income (\$ millions)	Number of Hotels	Rooms in Portfolio	Brands In Portfolio*
Ashford Hospitality Trust	Dallas	-\$51.7	100	21,734	Courtyard (20), Crowne Plaza, Embassy Suites, Fairfield Inn, Hampton Inn, Hilton, Hilton Garden Inn, Homewood Suites, Hyatt Regency, Marriott, Residence Inn, Sheraton, SpringHill Suites, TownePlace Suites, independent
China Lodging Group	Shanghai	\$32.7	438	50,438	Hanting Express, Hanting Seasons, Hanting
Crestline Hotels & Resorts	Fairfax, Va.	\$530.0	64	12,912	Courtyard (9), Crowne Plaza, Fairfield Inn, Four Points by Sheraton, Hampton Inn, Hilton, Hilton Garden Inn, Holiday Inn, Holiday Inn Express, Homewood Suites, Marriott, Renaissance, Residence Inn, Sheraton, SpringHill Suites, Staybridge Suites, TownPlace Suites, Westin, independent
Davidson Hotel Company	Memphis	\$490.0	45	12,803	Hilton (10), B Ocean, Courtyard, Crowne Plaza, DoubleTree, Embassy Suites, Four Points by Sheraton, Hilton Garden Inn, Holiday Inn, Hyatt, Marriott, Radisson, Renaissance, Sheraton, Westin, independent
Destination Hotels and Resorts	Englewood, Colo.	\$106.6	34	7,606	Independent (32), Embassy Suites, InterContinental
DiamondRock Hospitality Co.	Bethesda, Md.	-\$9.2	23	10,700	Marriott (10), Conrad, Courtyard, Hilton, Hilton Garden Inn, Renaissance, Westin
Donohoe Hospitality Services	Washington, D.C.	NA	11	2,477	Residence Inn (4), Courtyard, Hilton Garden Inn, Holiday Inn, Holiday Inn Express
Drury Hotels Co.	St. Louis	NA	125	17,259	Drury Hotels (100), Best Western, Hampton Inn, Holiday Inn Express, Pear Tree Inn, Staybridge Suites, Thrifty Inn, other
FelCor Lodging Trust	Chicago	-\$218.0	82	23,507	Embassy Suites (45), Doubletree, Fairmont, Hilton, Holiday Inn, Marriott, Renaissance, Sheraton, Westin
Hersha Hospitality Trust	Philadelphia	-\$17.2	62	7,686	Hampton Inn (13), Candlewood Suites, Comfort Inn, Courtyard, Fairfield Inn, Hawthorn Suites, Hilton Garden Inn, Holiday Inn, Holiday Inn Express, Hyatt Place, Residence Inn, Sheraton, Summerfield Suites, TownePlace Suites, independent
Hospitality Properties Trust	Newton, Mass.	\$21.4	289	42,880	Candlewood Suites (76), Country Inns & Suites, Courtyard, Crowne Plaza, Holiday Inn, Hyatt Place, InterContinental, Marriott, Park Plaza, Radisson, Residence Inn, SpringHill Suites, Staybridge Suites, TownePlace Suites
Host Hotels & Resorts	Bethesda, Md.	-\$132.0	120	62,897	Marriott/JW Marriott (67), Delta, Embassy Suites, Fairmont, Four Seasons, Hyatt, Ibis, Le Meridien, Luxury Collection, Novotel, Ritz-Carlton, Sheraton, St. Regis, Swissotel, W, Westin
Inland American	Oak Brook, Ill.	-\$176.4	99	15,380	Courtyard (24), Aloft, Comfort Inn, Doubletree, Embassy Suites, Fairfield Inn, Hampton Inn, Hilton, Hilton Garden Inn, Holiday Inn, Holiday Inn Express, Homewood Suites, Hyatt, Hyatt Regency, Marriott, Quality Suites, Residence Inn, SpringHill Suites, TownePlace Suites
Interstate Hotels & Resorts	Arlington, Va.	NA	242	50,666	Hampton Inn (42), Aloft, Baymont, Best Western, Cambria Suites, Comfort Inn/Suites, Country Inn & Suites, Courtyard, Crowne Plaza, Days Inn, Doral, Doubletree, Embassy Suites, Fairfield Inn, Four Points by Sheraton, Hilton, Hilton Garden Inn, Holiday Inn, Holiday Inn Express, Homewood Suites, Howard Johnson, Hyatt Place, Marriott, Quality Inn, Renaissance, Residence Inn, Sheraton, SpringHill Suites, Staybridge Suites, Super 8, Tesoro Resorts, TownePlace Suites, Travelodge, Westin, Wingate, Wyndham, independent

Company	Headquarters	2010 Net Income (Millions)	Number of Hotels	Rooms in Portfolio	Brands In Portfolio*
Lane Hospitality	Northbrook, Ill.	\$90.7	17	2,797	Crowne Plaza (3), Comfort Inn, Courtyard, Doubletree, Hampton Inn, Hilton, Hilton Garden Inn, Holiday Inn, Indigo, SpringHill Suites
LaSalle Hotel Properties	Bethesda, Md.	\$1.7	35	9,116	Hilton (3), Westin (3), Embassy Suites, Hyatt, Marriott, Sheraton, Sofitel, others
LodgeWorks	Wichita, Kan.	\$145.0	35	4,937	Hotel Sierra (15), Aloft, Avia, Hampton Inn, Hilton Garden Inn, Hyatt Place, Summerfield Suites
Outrigger Enterprises Group	Honolulu, Hawaii	NA	42	10,616	Outrigger (31), Best Western, Courtyard, Embassy Suites, Holiday Inn, Ohana, Wyndham, others
Pebblebrook Hotel Trust	Bethesda, Md.	-\$6.6	8	2,300	Independent (4), Doubletree, InterContinental, Sheraton, Sofitel
Rezidor Hotel Group	Brussels, Belgium	-\$3.5	312	66,375	Radisson Blu (200), Country Inns & Suites, Missoni, Park Inn, Regent
Strategic Hotels & Resorts	Chicago	-\$172.9	15	6,873	Marriott (4), Fairmont, Four Seasons, Hyatt Regency, InterContinental, Loews, Ritz-Carlton, Westin, independent
Sunstone Hotel Investors	Aliso Viejo, Calif.	\$38.5	31	11,722	Marriott/JW Marriott (11), Courtyard, Doubletree, Embassy Suites, Fairmont, Hilton, Hyatt Regency, Renaissance, Residence Inn, Sheraton, independent
Supertel Hospitality	Norfolk, Neb.	-\$10.6	106	9,355	Super 8 (44), Baymont Inn, Comfort Inn/Suites, Days Inn, Guesthouse Inn, Hampton Inn, Holiday Inn Express, Key West Inn, Quality Inn, Ramada Limited, Savannah Suites, Sleep Inn, Tara Inn & Suites, independent
Windsor Capital Group	Santa Monica, Calif.	NA	23	5,899	Embassy Suites (18), Courtyard, Crowne Plaza, Marriott, Renaissance, Residence Inn

* Most represented brand listed first, with number of properties in parentheses
Source: Company reports

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recent weeks has gone as far as moving its entire senior leadership team to a Shanghai office for a month, and van Paasschen said 80 percent of the company's pipeline is outside of North America. Solomons said that while the United States still is IHG's largest market by revenue, China has moved into second place, and more than half of the company's pipeline is outside of the United States. Four Seasons CEO Kathleen Taylor said only two of the about 60 projects her company has in the works are in the United States.

That isn't to say hotels are not investing in North American properties, but much of that centers around brandwide revitalizations, like that of Holiday Inn or of Starwood's multiyear overhaul of the Sheraton brand. Meanwhile, some midprice brands are growing their U.S. presence. Wayne Goldberg, CEO of the largely U.S.-focused La Quinta Inns & Suites, said the company's capital expenditures this year were up about 35 percent compared with last year, not only due to new development but also for renovating about 100 hotels.

Deloitte & Touche's Weissenberg said he didn't see the slow supply growth translating to availability problems for corporate travelers for some time. With the overall supply picture constrained, however, hoteliers said not to expect discounting anytime soon, even if the economy falters a bit. Even if hotel companies tomorrow began building heavily, it would be several years before those

2011 Performance, By Hotel Tier

Year-Over-Year Increases, January-April

Tier	Occupancy	Average Daily Rate
Luxury	6.0%	5.9%
Upper Upscale	2.8%	3.6%
Upscale	4.9%	3.2%
Upper Midscale	6.0%	2.5%
Midscale	5.3%	0.5%
Economy	5.5%	1.0%

Source: STR/STR Global

hotels were completed, forestalling meaningful supply growth by two to four years, van Paasschen said.

"If you don't like your airline prices today, you really aren't going to like your hotel rates in about three years," he said, "unless you're one of us." ■

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Airtrade International	CCRA Travel Solutions	Legacy Travel	Strong Travel Services	Ultramar Travel Management International
Aladdin Travel & Meeting Planners	Cerritos Travel	Leisure Travel Alliance	Tangerine Travel	Uni Travel (PTY) Ltd
Alamo Travel	Christopherson Business Travel	Mai 10	The Auto Club Group	Uniglobe Instant Travel
All About Travel (Tucson, AZ)	CI TRAVEL	Mansour Travel Company	The Travel Society	Uniglobe Travel International
All About Travel (Mission, KS)	Circles	MAST Vacation Partners	The Travel Team/American Express	Uniglobe Travel Partners
All Direct Travel Services	Colpitts World Travel	Maupin Travel	Travel and Transport	Universal/Accent Travel - American Express
All Seasons Travel Agency	Colwick Travel Corporation	McCabe World Travel	Travel Experts	Vacation.com
All Travel	Condado Travel	Menno Travel/American Express	Travel Guard, Business Travel Services	Valerie Wilson Travel
Allied Tour & Travel	Conlin Travel	Merit Travel Group	Travel Leaders (Fort Wayne, IN)	Viajes Plaza
Altour (Jeffersonville, IN)	Corporate Travel Solutions	Montrose Travel	Travel Leaders (Memphis, TN)	Viking Travel Service
Altour (New York, NY)	Crucon Cruise Outlet Plus	MSP Travel Group	Travel Leaders (Houston, TX)	Virtuoso
American Express Retail Travel Network	CruiseOne/Cruises Inc	Mundi Travel/American Express	Travel Leaders - OutsideAgentLink.com	Vision 2000
ATP International USA	Designs by Strawberry	National Travel Service	Travel Leaders Child Travel/Albany Travel	Wal-Mart Stores
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Avoya Travel/America's Vacation Center	Expedia	Omega World Travel	Travel Leaders Franchise Group	WD World Travel
Azumano Travel Service/American Express	Express Travel	Orbitz Worldwide	Travel Leaders/Travel Plus	Wilcox Travel/American Express
BCD Travel	Flathead Travel Service	Ovation Travel Group	Travel Management Corporation	Willett Travel
Best Travel	Flight Centre USA	Passageways Travel/American Express	Travel Management Partners	Williamsburg Travel Management - AMEX
Blue Ribbon Business Travel International	FlyBranson Travel	Plaza Travel	Travel Planners International	Wings Travel Group
Bon Voyage Cruise & Vacations	Forest Lake Travel	Poe Travel	Travel Time Travel Agency	World Travel Bureau
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