



**NATIONAL BUSINESS  
TRAVEL ASSOCIATION**  
*Connecting the Business Travel World*

## **NBTA's Top 10 Industry Travel Stories of 2006**

What a year for business travel! In 2006, corporate travel managers saw a number of changes in the industry, including the rebound of the airline industry, the increased globalization of travel programs and developments in the global distribution marketplace. Though the year was sprinkled with a few challenges for corporate travel programs, such as high fuel costs, the aftermath of the uncovering of a terror plot targeting commercial aircraft and the increase proliferation of car rental and hotel excise taxes, it was an overall positive year for the industry.

The National Business Travel Association's (NBTA) Top Ten Travel Stories of 2006 countdown ranks the most prominent travel events of the year, based on survey responses from NBTA members. Across each of the events and issues represented throughout the countdown, one common theme emerged - the importance of corporate travel management in protecting business travelers and company interests. Whether travel managers were re-routing travelers stranded as a result of the uncovering of a terror plot targeting commercial aircraft, monitoring developments in the travel distribution marketplace or developing contingency plans for managing travel crises, they played a critical role in ensuring the safety of America's road warriors and ensuring that company objectives were met throughout the challenges of 2006.

As the leading provider of education, advocacy, news, information and resources to the corporate travel industry, NBTA was proud to support its members' efforts in 2006 as they navigated their corporate travel departments through the obstacles of the year.

Looking back on a challenging year, NBTA members ranked the following as the top ten news stories of 2006:

- #10 – Pandemic Preparedness
- #9 – Passport and Border Issues
- #8 – Globalization of Corporate Travel Programs
- #7 – Dynamic Hotel Pricing
- #6 – Airline Bankruptcies and Labor Disputes
- #5 – Car Rental and Hotel Excise Taxes
- #4 – Impact of High Fuel Prices on Corporate Travel
- #3 – Rebound of the Airline Industry
- #2 – Developments in the GDS Marketplace
- #1 – Uncovering of Terror Plot Targeting Commercial Aircraft

NBTA is pleased with the role it played in guiding the industry through each of the events and its part in ensuring that the voice of the corporate travel manager was heard on Capitol Hill, in the media and by company decision-makers. The association looks forward to continuing to serve its members' needs in 2007 and beyond.

## #10 – Preparation Meets Uncertainty Pandemic Preparedness

As 2005 came to a close, some were predicting that the world was headed towards a global health crisis. The potential threat of human-to-human contraction of avian flu caused great concern and projections of a global pandemic.

Fortunately, the bird flu failed to mutate into a strain in which human transmission was possible and to date has only been contracted through contact with chickens and other infected animals. Nonetheless, the threat of communicable diseases forced the world to take a serious look at crisis management and contingency planning for health crises.

NBTA has partnered with Dr. R. Bradley Sack, director of Johns Hopkins International Travel Medicine Service, who recorded a seminar and prepared a FAQ document on the flu threat and how companies should prepare for a potential pandemic.  
- *T & E Magazine*

The travel industry is undoubtedly on the forefront of preventing the spread of communicable diseases across regions. An infected air passenger could spread an airborne disease to his or her fellow travelers in a matter of minutes on a crowded aircraft. As the flight concluded and travelers moved on to another flight or ground transportation, hundreds of people in a multitude of countries could be infected within hours. With this in mind, NBTA set about ensuring its members were well-informed of the latest developments and had resources available to them as they helped develop their companies' contingency plans, while also working to ensure that the buzz about protecting against avian flu did not lead to excessive measures that would damage the travel industry in the long run.

Corporate travel managers responded to the possible threat by developing contingency plans for traveling employees. These thorough procedures covered everything from emergency medical kits and flu vaccinations to managing evacuations when borders are closed and/or commercial aviation is grounded. The threat of an outbreak, as scary as it may seem, provided corporate travel managers with the opportunity to demonstrate once again the important role they play in protecting the safety and security of business travelers.

### **Quick Fact:**

75 percent of surveyed travel managers indicated their company has taken action to prepare for a possible pandemic outbreak.

The U.S. Centers for Disease Control and Prevention (CDC) issued a proposal designed to react in the case that a communicable disease is spread by air travelers. The plan would require airlines to retain passenger manifests for up to 60 days, making information readily available to the agency in the event of the discovery of an infected traveler. NBTA voiced opposition to the proposal on the grounds that the cost to the industry and to travelers was unwarranted, and that travel data needs should be met with a progressive, dynamic approach, rather than continual requirement creep and lack of sharing among government agencies. The proposed CDC rule would require investments by airlines, travel agencies and global distribution systems in order to gather and store the required information. The association argued that those expenses would inevitably be passed along to the consumer, forcing an increase in fares in an industry already struggling with diminished revenues.

To continue NBTA's support of its members' efforts, NBTA introduced the Global Risk Management Committee to provide expert opinions and resources to aid corporate travel managers in the development of effective contingency plans in the event of a health crisis or other unforeseen events. The group's first initiative was presenting a session at the NBTA 2006 International Convention & Exposition focused on protecting employees in a global workplace. The seminar touched upon the key components of an effective travel risk management program, including how to evaluate risks and threats, and track travelers in the event of a crisis.

NBTA looks forward to sharing future works of this committee with its members and aiding corporate travel managers in their quest to provide safe travel to all of their companies' employees.

## #9 – Passport, Please! Passport and Border Issues

Border security and passport issues took precedence in 2006 as the U.S. federal government continued its efforts to protect the nation from another potential terrorist attack. The nation placed its focus on a number initiatives aimed at monitoring the nation's borders and the people that cross them.

On January 17, the U.S. Departments of Homeland Security (DHS) and State kicked off the year by announcing a joint-vision for travel and border security throughout the nation. Secretaries Condoleezza Rice and Michael Chertoff called for an advisory board to facilitate outreach with the travel industry and the business community to gather input on travel policies, travel facilitation and travel security programs; a one-stop redress solution for travelers who are incorrectly identified by any government travel security program; and a "Global Enrollment Network" that will enable travel document application data to be shared between the agencies, so that applicants' data will only need to be captured one time. NBTA lauded the announcement, commending the two departments for looking at the big picture of the impact of the multitude of travel and border security programs on travel and the conduct of international commerce.

Throughout the year, NBTA continued its role as the voice of corporate travel on Capitol Hill by working with elected and agency officials on a number of administration programs that had an impact on the industry.

### **Quick Fact:**

65 percent of surveyed travel managers report encouraging their travelers to obtain a passport in preparation of WHTI requirements.

The Western Hemisphere Travel Initiative (WHTI) was one of the border and passport issues NBTA focused on throughout 2006. Arising from the recommendations of the 9/11 Commission, WHTI will require all U.S. citizens and visitors to present a passport or acceptable substitute document for entry into the United States from any country in the Western Hemisphere. The measure was set to roll out over a series of dates from January 8, 2007 through January 1, 2008, depending on the mode of transportation (air, land, sea). The lack of an effective plan for communicating the

changes, and the absence to date of a widely available, affordable alternative to the passport combined to make WHTI a threat to the economic activity generated by business travel between the United States and other Western Hemisphere nations.

NBTA and its affiliate, the Canadian Alliance of Business Travel, worked throughout the year with U.S. and Canadian officials to ensure that the proposed WHTI timeline did not jeopardize the healthy conduct of commerce between Western Hemisphere countries. NBTA's airline partners assure us that they have worked diligently to address the January 23, 2007 deadline for air travel, and NBTA travel manager members are ensuring that their company's travelers are informed about the change. With that work taking place to address the air travel component, the associations were pleased to announce to members their efforts, along with other industry partners, paid off when the U.S. House and Senate voted to

For travelers who live on states bordering Canada and Mexico, the impact is likely to be bigger, [NBTA's Bill]Connors said. The association lobbied hard to get the deadline for land and sea passport requirements pushed back ... because many living in bordering states may not have passports.

- *Washington Examiner*

delay the provision requiring passports for crossing the U.S. border by sea or land until June 1, 2009.

The postponement of the requirement will allow for more time to develop an alternative, less-expensive identification document, referred to as the People Access Security Service (PASS Card), in lieu of a passport, which will be an important change for companies that have significant business and meetings on both sides of either U.S. land border. NBTA and the Canadian Alliance have voiced support for the PASS Card, stating that such a document will help mitigate the potential impact of the passport requirement for border crossing. The associations look forward to continued involvement and collaboration with the U.S. Departments of Homeland Security and States as they move forward with educating travelers about the requirements and implementing the program.

NBTA was pleased to welcome Frank Moss, Deputy Assistant Secretary of State for Passport Services, to the NBTA 2006 International Convention & Exposition to participate in a session dedicated to updating conference attendees on key legislative issues related to travel. Moss also shared his views in a special Q&A article in the NBTA Business Travel Quarterly.

The association is committed to its government relations efforts to ensure the free conduct of commerce is not hindered by passport or border regulations put forth by the U.S. government. Additionally, NBTA is dedicated to its involvement in encouraging the U.S. to take steps to make sure the nation remains a desirable and welcoming business travel destination.

## #8 – It's a Small World After All Globalization of Travel Programs

Borders do not confine business. Events taking place an ocean away impact our companies and our travelers. The true test of our ability as travel managers is how we continue to evolve in the face of new challenges.

-Suzanne Fletcher,  
*Business Travel News, Op-Ed:  
Buyers Need A Global  
Perspective To Manage  
Change, July 17, 2006*

Corporate travel programs have undergone tremendous changes over the past decade. The increasingly global marketplace has played a significant part in the evolution of corporate travel. Now more than ever, business travelers are visiting destinations around the world as representatives of their companies.

This trend has prompted an expansion of the corporate travel manager's role within his or her company. As responsibilities increase, so does the need to enhance knowledge about the global marketplace to ensure that objectives, such as cost containment and employee productivity, are met. Recent world events, such as the mass transportation bombings in Madrid and London, terror threats against the United States and the potential threat of a global pandemic, place an even greater importance on traveler safety and security measures.

To help members adapt to the changes in corporate travel, NBTA offered a number of domestic and international events throughout the year. Education sessions hosted at the NBTA 2006 International Convention & Exposition highlighted some of the key aspects of global travel management, such as risk management, implementing global hotel programs, contract negotiations and protecting employees in the global workplace. In 2006, the association partnered with the Brazilian Business Travel Association (ABGEV) to present the inaugural Latin American Corporate Travel & Technology Exchange (LATTE), the largest conference focusing solely on managed business travel in the Latin American region. NBTA also offered for the first time the London

### **Quick Fact:**

63 percent of surveyed travel managers expect their travel program to continue or begin global expansion in 2007.

Corporate Travel Buyer Think Tank, an event designed event to foster high-level discussions of the most prominent topics in the corporate travel industry, including developments in the GDS marketplace, changes in the aviation industry and other practices of effectively managing global travel programs.

NBTA will enhance its global education offerings in 2007 by hosting the Mexico Corporate Travel Conference, January 18 in Mexico City; joining forces again with ABGEV for the 2007 LACTTE conference, February 5-7 in Sao Paulo, Brazil; partnering with TTG Asian Media to present Corporate Travel & Technology World, April 23-25 in Shanghai, China; and offering the NBTA London Corporate Travel Think Tank in September.

Recognizing the importance of training business travelers to be good ambassadors of not only their companies but also the United States, NBTA continued its partnership with Business for Diplomatic Action (BDA) to distribute the World Citizen's Guide, a brochure focused on educating travelers on cultural nuances.

As the corporate travel industry continues to evolve and grow into its role in the global marketplace, NBTA looks forward to providing its members with the tools and resources necessary to help them adapt to their changing responsibilities while continuing to drive strategic value within their organizations.

## #7 – Cha-Cha-Changing Pricing Structures Dynamic Hotel Pricing

No one can argue against the fact that the hotel industry has recovered from the travel slump that began in 2001. Across the country, occupancy and room rates are at or near record highs. The rebound in the industry has prompted two major changes within corporate travel programs – an increase in corporate travel budgets to accommodate rising costs and increased pricing power for hotels.

### **Quick Fact:**

63 percent of surveyed travel managers expect dynamic pricing to become a major challenge for corporate travel professionals in the future.

In a supplier market, many hotel chains are seeking alternative pricing models to increase revenue streams based on market demand. One such alternative is dynamic pricing, a practice that allows hotels to offer negotiated discount rates based on demand fluctuations. The traditional model for corporate contracts offers fixed rates for a specified period of time. With dynamic pricing, a fixed percentage discount is offered off a floating benchmark rate. The benchmark rate could be the consortia rate, corporate rate, best available rate or another figure determined in negotiations. The benchmark rate will change at a hotel's discretion based on market

conditions.

Dynamic pricing is currently in limited use throughout the hotel industry as buyers and suppliers explore the viability of this pricing model for corporate contracts. Some hotels see dynamic pricing as the future of discount programs for corporate travel while others believe it will serve as another pricing model available to travel buyers. Many corporate travel managers are anxiously anticipating data-driven information that will provide them with a clear picture on the potential impact and/or benefits of dynamic pricing on their hotel programs.

To help corporate travel managers understand the potential impact of dynamic pricing on hotel programs, NBTA's Hotel Committee produced an informative white paper focused on the trend. This paper, available for members to download at [www.nbta.org/whitepapers](http://www.nbta.org/whitepapers), provides background information on the trend and how to evaluate whether dynamic pricing is right for a company's hotel program. It also outlines issues to consider when assessing this pricing model,

including the financial impact of dynamic pricing, change management and the overall impact on travelers.

At the NBTA 2007 International Convention & Exposition, the Hotel Committee presented a session, titled "Dynamic Pricing – Is it in your Future?," aimed at providing expert opinions and analysis on this trend. The session gave attendees a comprehensive understanding of dynamic pricing and the tools necessary to determine the impact of this pricing model on a company's hotel program.

As the prospect of dynamic pricing continues to develop in the hotel industry, NBTA and its Hotel Committee remain committed to providing corporate travel professionals with the latest news, information and tools to address this challenge.

## **#6 – Clock Ticks for Eleventh-Hour Agreements** **Airline Bankruptcies and Labor Disputes Impact Corporate Travel**

The skies become a little friendlier for the airline industry in 2007 as passengers filled planes at record levels and some carriers returned to profitability. But, that doesn't mean the year wasn't without some turbulence. Airline bankruptcies and labor disputes made headlines throughout the year, causing some headaches for corporate travel managers and travelers.

The year started off positively as United Airlines emerged from Chapter 11 February 1 after more than three years under bankruptcy protection. It was the longest and largest bankruptcy case in U.S. history. United emerged from bankruptcy as a smaller, more efficient airline through its concentration on shedding unprofitable routes and focus on international expansion.

Northwest Airlines and Delta Air Lines remained in Chapter 11 in 2006 after both filed for bankruptcy protection on September 14, 2005. While in bankruptcy, the carriers have directed their efforts toward discontinuing unprofitable routes, expanding internationally and trimming operational costs. Both airlines anticipate exiting Chapter 11 in early 2007.

### **Quick Fact:**

55 percent of surveyed corporate travel managers reported that airline bankruptcies and/or labor disputes caused concern among their companies' travelers.

Securing wage and benefits concessions from their employees were a major part of the Delta and Northwest reorganization plans in 2006, prompting a handful of widely publicized labor disputes. In some cases, eleventh-hour agreements and injunctions issued by federal judges prevented strikes by the carriers' unions. Though no travel disruptions occurred as a result of labor disputes, corporate travel managers were prepared to serve their companies' travelers in the event of a work stoppage.

The latest development in Delta's bankruptcy, a proposed merger with US Airways, has reignited speculation in the industry about possible consolidation among carriers. Delta representatives have maintained their commitment to emerging from Chapter 11 as an independent carrier.

Corporate travel managers and suppliers stayed abreast of these developments in the airline industry through the NBTA Daily News Brief, a daily summary of the most prominent stories in the travel industry.

NBTA provided members with a number of resources to help them address the impact of airline bankruptcies and labor disputes within their corporate travel programs, including a white paper drafted by the NBTA Aviation Committee on preparing for possible Chapter 7 liquidation of an airline. When deadlines got close and rhetoric heated, the association also provided members with a sample communications to answer travelers' concerns over potential strikes by airline

employees. Most recently, NBTA offered members overview documents to help them evaluate the potential impacts of the proposed mergers between Delta and US Airways; Continental Airlines and United; and AirTran Airways and Midwest Airlines.

As the airline industry continues to evolve, NBTA will maintain its role as the leading provider of news and resources for corporate travel managers.

## #5 – Taxation without Representation The Impact of Car Rental and Hotel Excise Taxes

Residents in the Washington, D.C., metro area are accustomed to seeing the phrase “taxation without representation” on D.C. license plates. With an alarming increase in the number of states and localities imposing or raising car rental and hotel taxes, business travelers can count themselves among citizens being taxed without representation.

### **Quick Fact:**

73 percent of surveyed travel managers indicated they are concerned about the impact of car rental and hotel taxes on their 2007 budgets.

State and local elected officials see excise taxes on car rental and hotel stays as a means of funding projects without taxing voting constituents. Funds generated through these taxes are used for a number of initiatives, ranging from new sports stadiums, cultural centers and other transportation-related projects. What supporters of these taxes fail to recognize is that they are in fact hurting local businesses and deterring visitors from traveling to their municipalities. According to a recent NBTA survey of corporate travel managers, more than half of

respondents indicated they rent the majority of their cars in their local markets. In the same survey, 54 percent of participants indicated that car rental taxes play a role in selecting a site for a conference.

Even more importantly, these taxes are cutting into the travel budgets of local companies. For example, let’s assume a company rents 1,000 cars a year for an average of three days each. That’s 3,000 rental days per year. If car rental taxes are increased by just \$2 a day, the company’s travel spend is increased by \$6,000 a year.

Unfortunately, such increases are far from uncommon. Since 1976, more than 90 car rental excise taxes have been enacted in 39 states and the District of Columbia. In the past decade alone, the number of car rental excise taxes has more than doubled, and dozens more new taxes or increases are under discussion. Meanwhile, car renters have been targeted for nearly \$6 billion in excise tax payments since 1990.

NBTA is pleased to collaborate with the leading car rental companies in the U.S. – Avis Budget Group, Inc.; Dollar Thrifty Automotive Group, Inc. (Dollar Rent A Car, Thrifty Car Rental); Enterprise Rent-A-Car; The Hertz Corporation; and Vanguard Car Rental USA Inc. (National Car Rental & Alamo Rent A Car) – and other industry partners to give business travelers a voice in the battle of taxation without representation. Together, this group represents millions of car renters, business travelers and corporations that are being unfairly impacted by the alarming trend of increasing car rental excise taxes. This elite group is working together to raise awareness that it is poor policy to tax car rentals in order to fund unrelated projects or projects that benefit a population

The number of car rental excise taxes has doubled in the past decade, says a study released by [NBTA]. There are 83 car rental taxes in effect in 38 states and the District of Columbia, and new ones under consideration in at least 24 states, says the study, conducted by officials at the Brookings Institution and the Urban Institution. The taxes dampen rental demand, the study says.  
- USA Today

much larger than those who rent cars.

In Florida, NBTA saw success when it engaged to combat a proposal that would have enabled counties to raise taxes targeted at car rentals by \$2 per day. Though the sweeping transportation bill passed the state legislature, the Governor vetoed it based solely on the inclusion of the car rental tax increase in the broader bill.

NBTA encourages its members to get more involved with this issue by visiting [www.nbta.org/traveltaxes](http://www.nbta.org/traveltaxes) or contacting Shane Downey, NBTA's State and Local Governments Specialist at [sdowney@nbta.org](mailto:sdowney@nbta.org). The website provides an informative look at the impact and history of car rental taxes, as well as a case study highlighting the economic effect of these taxes on one local economy. NBTA urges its members to initiate internal dialogue aimed at determining just how much company money is being spent on these taxes that are supposedly targeted towards out-of-state renters. Implore company stakeholders and government affairs departments to take this issue to your local representatives. Together, we can fight this trend to ensure that business travelers are not unfairly taxed and come up with more logical solutions to funding state and local projects.

## #4 – Panic at the Pump

### The Impact of Rising Fuel Costs on Corporate Travel

Across the nation, wallets tightened throughout 2006 as fuel prices reached all-time highs. Among the hardest hit by the skyrocketing prices were U.S. businesses. Across the board, travel costs in all sectors were increasing at an alarming rate due to the rise in fuel costs throughout the country.

#### **Quick Fact:**

71 percent of surveyed travel managers indicated that rising fuel costs had a significant impact on their 2007 budgets.

The airline industry was one of the first industries to implement fuel surcharges to help mitigate the impact of jet fuel prices on business operations. Throughout 2006, airlines initiated dozens of fare increases, leading to higher travel costs during the year. In an NBTA survey, 57 percent of corporate travel manager respondents indicated that fuel price hikes added US\$51 - \$100 on average to the cost of a domestic business trip.

Airlines weren't the only ones adding surcharges to their fares. Across the country, taxis were tacking on the dollars to help mitigate rising fuel costs. Some car rental companies also began charging additional fees

to top-off tanks when cars were returned.

With no end in sight to higher fuel prices, corporate travel managers began to evaluate their travel programs and determine ways in which they could control costs.

In May, NBTA provided its members with research designed to help them better understand the impact of fuel price increases on travel and to quantify the responses of corporate travel managers. The report included an analysis of fuel-based airfare hikes, provided by Travel Analytics, and data from a survey of NBTA Member travel managers on the impact of fuel price increases on the air and ground transportation components of corporate travel programs. Nearly two-thirds of respondents to the survey indicated fuel prices were having an impact on their travel purchasing.

"Every company approaches reaching these savings differently to reach their business goals as rates continue to go up," NBTA spokesman Caleb Tiller said.

*Washington Post*, Fuel Costs May Curb Company Trips, May 2, 2006, Page D1

The majority of survey respondents reported budget stakeholders (e.g.,

department heads) within their companies were concerned about how they could maintain their 2006 travel budgets and meet business needs in the face of rising airfares and gas prices. Corporate travel managers turned their focus to addressing the alarming increase in travel costs. Tactics used included asking or requiring travelers to consolidate multiple trips into one; encouraging less air travel; driving people to travel alternatives, such as web-based meetings or conference calls; implementing stricter pre-trip approvals; opening discussions with air and ground transportation service providers; encouraging greater use of public transportation where available; and recommending a lower car rental class.

Business analysts agree that higher fuel costs are here to stay. Corporate travel managers are more prepared than ever to address this challenge within their travel programs to ensure business travel needs are met while operating within their budgets for the year. NBTA was pleased to support its members' efforts related to rising fuel costs and looks forward to continuing its efforts to provide relevant, timely resources for corporate travel managers in the future.

### #3 – Reaching Cruising Altitude The Rebound of U.S. Airlines

In 2006, the skies cleared for U.S. airlines as passengers returned in full force to fly the friendly skies. Across the country, planes were fuller, fares were higher and the airlines were able to breathe a collective sigh of relief as the industry appeared to show signs of recovery from years of struggles.

Business travel played an important role in the rebound of domestic carriers in 2006 as the nation's road warriors returned to the skies in record numbers. Fortunately for the airlines, this trend is expected to continue into 2007. The NBTA 2007 Business Travel Overview and Cost Forecast indicates that 67 percent of surveyed corporate travel managers expect their travelers to take more trips in 2007 than 2006.

#### **Quick Fact**

75 percent of surveyed corporate travel managers indicate that rising passenger demand and decreasing capacity impacted their booking practices in 2006.

Throughout 2006, airfares continued to creep upwards as passenger demand increased. To capitalize on the rising demand and increased pricing power, airlines focused on reducing capacity on certain routes to help further improve revenues. Fuel hedging, fare increases and other conservation techniques also helped the airlines better mitigate the impact of rising fuel costs on their financial outlook than in previous years.

Additional signs in the industry indicate the airlines see their status as improving in the future. Some are re-introducing certain amenities that were discontinued when the airlines were focusing on cost-cutting measures and introducing new offerings such as improved in-flight entertainment. Others are focusing on international expansion by updating business- and first-class cabins to gain a competitive edge.

One of the most telling indications that a shake-up in the industry is imminent is a flurry of merger and acquisition talks made public as 2006 came to a close. While many airline analysts agree that consolidation in the industry is necessary, others question that view. If there are mergers, the questions are: *Who will merge? And what impact will the merger/s have on the industry?*

To help members address the potential merger of major carriers in the U.S., NBTA released a proposed airline merger guide focusing on the key elements corporate travel buyers look for in a merged airline. The association also provided members with daily updates on the progress of mergers proposed at the close of 2006 through the NBTA Daily News Brief.

While these developments were positive change for the airlines, they did represent a challenge for corporate travel managers. Higher airfares mean higher business travel costs for America's companies. The increased costs placed an even greater importance on negotiated corporate discounts to help companies maintain their travel costs. Packed planes also challenged travel departments as even the slightest disruption in service could have a significant ripple effect on the nation's aviation system. Across the nation, travel managers sprung into action to ensure the rebooking of stranded travelers.

As the airlines continue to recover from losses suffered in the early half of the decade, travel managers will continue their efforts to successfully navigate their companies and travelers through changes in the industry. NBTA looks forward to supporting its members' efforts with timely and relevant news, information and resources during the next era of business travel.

## #2 – Seismic Shift? Changes in the GDS Marketplace

In 2006, the industry saw two important shifts in the Global Distribution System (GDS) marketplace: (a) the economics of the GDS business model changed; (b) three of the four major GDS companies announced intentions to change their ownership structures.

### Shifting Economics

Starting in the spring, the four major GDS providers, Amadeus, Galileo, Sabre and Worldspan (though not in that order), announced a series of "opt-in" programs for subscribers and agreements with airlines that changed the traditional GDS financial model, lowering airlines' costs for distribution via the GDS by shifting some of that cost to subscribers. While there are variations in each program, the outlines are the same:

- GDSs create optional programs for airlines and subscribers.
- Airlines and GDS companies strike five- or seven-year agreements:
  - Participating airlines designate the opt-in programs "preferred distribution channels," and incur a lower charge for each transaction flowing through the program (savings said to be as much as 20-30 percent over previous transaction costs, which were estimated to range between \$10 and \$15 per booking).
  - Participating airlines provide subscribers to the opt-in program with (i) full content and (ii) protection from \$3.50 per-segment fees charged for bookings made through non-preferred channels.
- In order to avoid the \$3.50 per-segment fees and to be ensured full content from participating airlines, GDS subscribers must agree to a reduction of 80 cents per segment in incentives traditionally paid to GDS subscribers.

### Quick Fact:

More than three quarters (75.4%) of travel managers anticipate the new GDS economics will impact their companies' travel budgets in 2007.

With 71 percent of 237 travel managers reporting that some portion of their air travel transactions involve either American Airlines bookings made through Sabre or Delta Air Lines bookings made via Worldspan, the National Business Travel Association (NBTA) has warned the four companies that their inability to reach distribution agreements is likely to result in a significant shift in market share.

- BTE Redline News

Some corporations, as GDS subscribers, had to choose between taking a direct financial hit of either \$3.50 per segment (fee) if they did not opt in or 80 cents per segment (incentive reduction) if they did. More typically, the travel management company (TMC) is the subscriber that had to make that choice and decide how to manage either loss. Some TMCs made announcements that corporate clients would pay transaction fees of \$2.00 for airline bookings, presumably based on an average of 2.5 segments per business trip times the 80-cents per transaction incentive

reduction. Others announced that their clients would not have to absorb their TMC's loss, while others did not make any announcements but chose to negotiate with clients behind closed doors. In a survey of NBTA travel manager members, 75.4 percent indicated the change would impact their 2007 budgets.

Throughout the series of announcements, travel managers watched closely, assessing what the potential impact would be on their companies and evaluating any potential alternatives. NBTA continued to play two roles it has played for several years with regard distribution changes – aggregator of travel buyer views and provider of news and information to the industry and the media. For the fourth year running, the topic was covered at both the NBTA International Convention & Exposition and at the Masters Program held in affiliation with NBTA. NBTA also offered a web-based seminar on the distribution changes, as well as providing frequent updates on the latest developments via [www.nbta.org](http://www.nbta.org) and the NBTA Daily News Brief.

When two airline-GDS pairs appeared poised to let their inability to reach agreements put GDS subscribers in the position to have no alternative to the \$3.50 per-segment fee, NBTA surveyed its members and used that data to warn the four companies passing along such high to corporations would likely result in the movement of market share away from those suppliers.

### **GDS Ownership Changes**

In December, Galileo owner Travelport and Worldspan announced their intention to merge and integrate the two GDS platforms. A few days later, Sabre's parent company, Sabre Holdings, announced that it had agreed to acquisition by a private equity firm. Both deals are currently pending a variety of approvals. The changing ownership structures are further examples of shifts in the GDS marketplace, which are likely to continue in the coming years. NBTA will continue to offer its members resources to help them manage these industry changes on behalf of their companies.

## **#1 – Liquid Assets**

### **Impact of Terror Plot on Corporate Travel and Air Security**

On August 10, British security officials revealed the foiling of a terror plot targeting U.S.-bound commercial airliners. Fortunately, the plot was uncovered before it reached fruition, saving potentially hundreds or thousands of lives. But, it did have a significant and lasting impact on air security in the U.S. and around the world.

#### **Quick Fact:**

72.5 percent of surveyed travel managers indicated their company did not decrease travel following the uncovering of a terror plot targeting commercial aircraft.

Immediately following the announcement, security at airports across the United States and abroad was tightened, causing panic, confusion, flight delays, cancellations and uncertainty for travelers. The U.S. Transportation Security Administration (TSA) immediately banned passengers from carrying the vast majority of liquids, gels and aerosols onboard aircraft. Despite the hassle of the ban, business travelers adjusted to the requirement. In the *Raleigh News & Observer*, an NBTA spokesperson commented, "Business travelers tend to be educated and aware, and they've seen several shifts in security procedures over the last five years and are fairly accustomed to adapting to those things."

The uncovering of the plot also highlighted the importance of corporate travel management to assist traveling employees during a crisis.

Corporate travel departments sprung into action as details of the plot were revealed and enhanced security procedures were made public, taking steps to re-route stranded travelers and inform employees of the new security precautions.

Business travelers, used to carrying all their luggage onboard, were forced to change their travel habits while the ban remained in place. Many travelers opted to check their luggage rather than purchase toiletries once they arrived at their destination, causing an increased number of checked bags at the nation's airports.

NBTA was pleased to serve as one of the leading sources for news, information and commentary for the corporate travel industry and members of the media during the aftermath of the terror plot's uncovering. In this role, the association provided members with frequent updates regarding the increased security via the NBTA Daily News Brief and a special resource page on [www.nbta.org](http://www.nbta.org) offering links to updated airline and airport information, and advisories issued by the United States, United Kingdom and other countries.

The association also conveyed the impact of enhanced security measures on corporate travelers to government agencies such as the Department of Homeland Security and the Transportation Security Administration. NBTA was pleased to share with its members that its efforts paid off as the agencies announced an easing of the ban on liquids and gels onboard. As of October 26, travelers are permitted to carry liquids and gels of three ounces or less in a clear, quart-sized zip-top bag, allowing business travelers the opportunity to once again bring their toiletries in their carry-on luggage.

NBTA looks forward to continuing its role as the leading provider of news, information and advocacy for the corporate travel industry in the future. As developments in aviation security unfold, NBTA members can count on the association to represent their interests and keep them informed of industry changes so they can benefit their corporate travel programs.

An online poll [conducted by] the National Business Travel Association, which represents ... corporate travel managers, found that the vast majority – 71 percent – of companies had no plans to cut back on the volume of employee travel in light of the heightened security measures.  
- *International Herald Tribune*