

The Wire...from AirPlus

May 2010: Ancillary Fee Headaches Intensify For Travel Buyers

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.



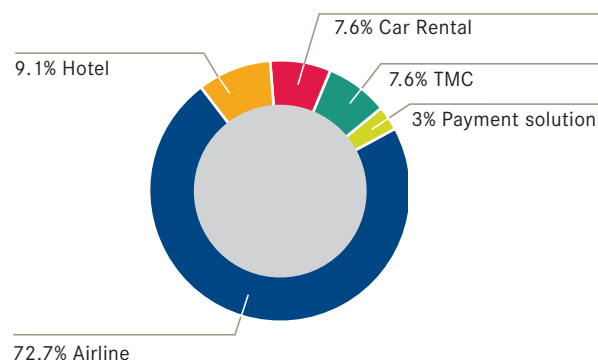
Hotels, car rental companies and TMCs continue to charge fees, but it's the airline fees that are impacting travel management today more than ever.

The Department of Transportation in early May released final figures for 2009 airline ancillary fee revenues. The report showed that as a group United States airlines pulled in \$7.8 billion in ancillary fees, a large increase over the \$5.5 billion collected in 2008. That increase alone makes it clear why more than 72 percent of respondents to AirPlus International's *The Wire* survey last month chose airlines as the supplier category most affecting their travel budgets with fees. DOT numbers, however, do not tell the entire story.

The \$7.8 billion as tallied by the government agency does not include many of the fees that continue to vex travel managers. For DOT, ancillary fees include baggage fees, reservation change fees and miscellaneous operating revenue. The revenue pocketed from seating assignments and on-board sales of food, drink, pillows, blankets, entertainment, or any other ancillary items are reported as transport related revenue and cannot be identified separately.

That's a situation that travel buyers know all too well and they are looking to airlines, their travel management companies and, particularly, credit card partners to help them break ancillary charges out of the total ticket price in order to gain visibility and

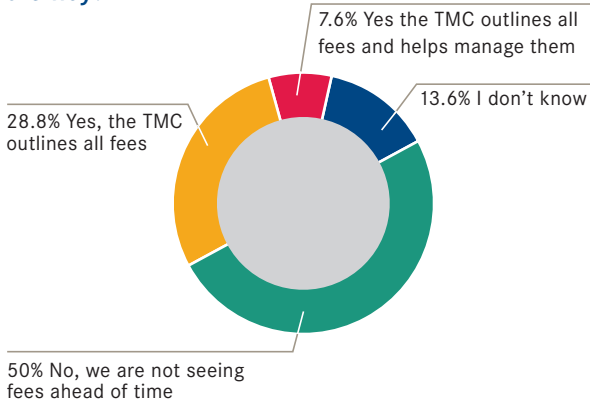
With which category of supplier are ancillary fees having the most impact on your travel budget?



begin to manage the fees. Indeed, wherever buyers are challenged by unbundled fees—whether from airlines, hotels, car rental, payment or TMCs themselves—there is a clear opportunity for suppliers to fill the travel management gap.

Among survey respondents, half indicated that their travelers have no visibility into ancillary fee charges at the time of booking a business trip through their travel management company. Nearly 29 percent of respondents said their TMCs outline all the fees associated with a given trip at the time of booking. Under 8 percent, however, responded that their TMC partner is able to outline the fees and help manage them, while more than 13 percent of respondents did not know if possible airline, hotel or car rental fees were addressed in any way at the time of booking a trip.

When booking through a TMC, are your travelers made aware of extra fees that may be charged along the way?



With fee data difficult to capture pre-trip, many companies are looking to their payment or expense solutions to offer some breakdown of fee spend after travel has been completed. For airline fees, some travel managers are requesting reports from payment partners that will show charges of \$50 or less that are associated with an airline. They assume this spend is a result of ancillary charges. Expense management technologies continue to forge partnerships with hotel chains to automatically incorporate detailed hotel folio data, identifying hotel fees in post-trip reports.

Anecdotal reports from travel buyers, however, show that this type of analysis is a stop-gap measure that can satisfy some internal reporting demands, but they continue to be challenged when trying to use such data to manage supplier relationships or negotiate contract terms.

Indeed, the AirPlus survey showed that nearly 38 percent of travel buyers found their supplier relationships more difficult to manage as a direct result of the complicated fee landscape. An equal number of respondents said that fees have eroded supplier value propositions, and more than 27 percent said they have considered shifting share away from fee-heavy suppliers or dropping them altogether. Respondent comments indicated that share shifting, at least, had gone beyond the consideration stage to taking action.

How are fees affecting your supplier relationships/ negotiations?

Relationships are more difficult to manage	37.9%
Loyalty has decreased on one or both sides	18.2%
Negotiations have become more contentious	21.2%
We have considered shifting share/changing suppliers based on fees	27.3%
Fees have eroded value propositions	37.9%
There has been no effect	16.7%
I don't know	6.1%
Other	6.1%

Perhaps more importantly, mega agencies along with several leading online agencies banded together with Amadeus, Sabre Travel Network and Travelport and a handful of airlines in early May to express their support for the Airline Tariff Publishing Company's optional services fare filing capabilities and the industry standard Electronic Miscellaneous Document as path forward for providing visibility into fees at the time of booking. According to the statement "the GDSs plan to provide corporations and travel agencies the ability to shop, book and fulfill airline ancillary services to travelers by late 2010."

Additional Resources:

Ancillary Fee Implications Vex Travel Pros

<http://www.management.travel/news.php?cid=ancillary-fee-ancillary-fees.Mar-10.25>

Aiming For A Budget: Continuous Cutbacks, Fees, Transformations Test 2010 Forecasting

<http://www.procurement.travel/news.php?cid=budgeting.Sep-09.01>

Survey Methodology: For this issue of *The Wire*, AirPlus International in cooperation with ProMedia.travel surveyed 66 travel management professionals in North American and Europe from April 30 – May 13, 2010.

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