



## AAA Corporate Travel Newsletter August 28, 2009

### U.K. study finds hotel rates dropping around the world

A survey of hotel rates by British travel management company Hogg Robinson Group (HRG) found that prices in the first half of 2009 dropped substantially in major business destination around the world. Studying hotel room rates in their local currencies, "without exception, all cities saw average rates decline in both quarters (Q1 and Q2 2009 vs. the same periods in 2008), with half of those surveyed experiencing consecutive double-digit falls," HRG said.

"Second quarter rates were noticeably lower, with an average rate decrease of 16 percent compared to 10.5 percent in the first quarter, demonstrating the continued slowing in the global market." During the most recent quarter (April-June), the two biggest year-over-year declines in local currency prices of hotel rooms were in two of the world's chief financial centers - New York and Zurich - where average rates declined 27 percent. The second quarter average rate dropped 24 percent in Hong Kong and Dublin, HRG said; comparable price declines were 20 percent in Amsterdam, 14 percent in Paris, 16 percent in Madrid, 15 percent in Brussels and 13 percent in Stockholm.

The company said that in terms of hotel rates, Moscow remains the most expensive destination for international business travelers, even though average rates there posted a 14 percent decline. Rates in London were down 4 percent; the only major destination achieving an increase in average rates was Abu Dhabi, up 5 percent, HRG said.

It noted that many corporations are taking advantage of the dismal hotel market by securing extra benefits for their travelers in negotiations with lodging companies. "In addition to lower pricing, corporations have been able to negotiate added-value items within their rates such as food and beverage discounts, free WiFi access, and reduced parking charges," HRG said. "Significantly, last-room availability is now considered by many as standard, having only been available at a premium prior to the slowdown in the market."

*Executive Travel SkyGuide e-Alert, August 24, 2009*

### What happens to travelers data after Clear's demise?

Months after the shutdown of Clear, a company that promised a speedy trip through airport security to fee-paying members, officials and lawmakers are debating what the government should do with Clear customers data, including fingerprints and iris scans.

U.S. House Homeland Security committee chairman Bennie Thompson and ranking member Peter King wrote a letter last week to Homeland Security Secretary Janet Napolitano to express grave concern about the Transportation Security Administration's plans to have participants' data deleted from the Registered Traveler Central Information Management System database.

Clear retains a list that can be sold to another company in the Registered Traveler program. But Fred Fischer, managing partner of FLO Corp., wants to re-launch FLO's Registered Traveler operations and allow former Clear customers to transfer their data using the central database.

The database, maintained by the American Association of Airport Executives for TSA, was set up to allow interoperability of multiple Registered Traveler providers, but there are no longer multiple operations.

Thompson and King wrote that they believe removing the data from the central database could have a potential negative impact on the restoration of Registered Traveler operations.

The letter also said security benefits envisioned for the Registered Traveler program have not been fully realized and should be further explored.

Clear shut down its operations in Cincinnati and around the country in June, about a year after the Registered Traveler program transitioned from a TSA pilot program into a private sector venture.

*AJC.com/business, August 24, 2009*

## **Airlines are sweetening frequent-flier programs**

After years of shrinking benefits and increasing fees, frequent-flier programs are courting their most loyal customers again.

In recent weeks, American Airlines introduced new awards for one-way flights; United dropped its \$75 to \$100 fees for booking an award within three weeks of travel; and Delta Air Lines made it easier for elite frequent fliers to retain their V.I.P. status.

Carriers have also been dangling mileage offers, including double-mile promotions, and have even resurrected bonuses for booking online.

Those who follow the programs describe the changes as a slight shift in a more consumer-friendly direction, giving customers more ways to earn and redeem miles.

What we're seeing is a bit of a resurgence on the airlines part in focusing on their frequent-flier programs, said Tim Winship, who tracks loyalty programs for SmarterTravel.com. But he added that the issue members care about most—being able to use their miles for free tickets—remains a challenge, especially with planes flying nearly full.

I think award availability remains the elephant in the room, he said. The travel slump has not resulted in any increase in award availability, and in fact, if anything my sense is that people are having a more difficult time now.

That assessment, while hotly debated on travel Web sites, is difficult to confirm.

Randy Petersen, founder of the frequent-flier hubs InsideFlyer.com and FlyerTalk.com, said 2008 was a record year for award redemption, which he attributed to travelers using miles for more mundane trips, like visits to relatives in less exotic locales.

In a good economy, everyone wants to use their miles to go to Hawaii, London or San Francisco, he said. But when the recession hit, award redemption really started to spread out because people were using their miles not as much for vacation as necessary travel.

Another factor spurring award redemption, Mr. Petersen said, has been the shift to dynamic pricing. If a seat that requires 25,000 miles is available for the outbound leg of a trip, but there is only a 50,000-mile seat on the return, many airlines now offer the itinerary for an amount in between—say, 37,500 miles—rather than charging the higher price for the entire trip.

In a similar vein, the new one-way award from American Airlines lets members book a flight after as little as 12,500 miles, a good option for students returning to college or snowbirds heading south for the winter.

There have also been changes in financial regulations that require airlines to account for unused frequent-flier miles as a liability, which has motivated carriers to make awards easier to redeem.

There really is an incentive now for the airlines to get all of their miles redeemed because it's expensive for them to carry them as a liability, Mr. Petersen said.

Even so, he acknowledged that as travelers prioritize low-priced tickets over flying with a preferred airline, carriers need to work harder to earn loyalty, especially among their elite fliers.

Delta Airlines, for example, recently announced new benefits for its elite SkyMiles members, which take effect in 2010.

Among the more significant changes, Delta added a diamond tier to its existing levels of Medallion membership (silver, gold and platinum) all referred to as having elite status, which comes with benefits like free upgrades and fee waivers.

Paul R. Skrbec, a Delta spokesman, said adding a fourth tier encouraged Medallion members to stay with Delta, rather than switch to another carrier after obtaining platinum status. The higher the tier, the better the benefits. For example, a diamond member will get a 125 percent mileage bonus versus a 100 percent bonus for platinum elites.

A research company that tracks loyalty programs found that membership in credit card reward programs surpassed membership in frequent-flier programs for the first time in 2009.

According to Colloquy, the company that conducted the research, the average household in the United States is signed up for 14 loyalty programs, ranging from grocery stores and gas stations to airlines and hotels, but actively participates in only six.

The recession has diminished participation in multiple travel programs, said Kelly Hlavinka, a partner at Colloquy. She said this could bring about a return to the original premise of loyalty rewards: to cement a relationship with just one airline or hotel.

Savvy travelers may be saying, I may not be able to spread my business out to two or three airlines, but I can consolidate my travel with one company, Ms. Hlavinka said. The real opportunity for airlines is to try to keep that business with their airline.

*NYTimes.com, August 24, 2009*

## **Southwest, American move ahead with in-flight Wi-Fi**

In our previous edition, we reported that in-flight Wi-Fi vendor Row 44 won final approval from the Federal Communications Commission for its satellite-based technology, and now Southwest Airlines says it will proceed with installing Row 44's system on its aircraft. Southwest has been testing the Row 44 technology on four planes since last winter, and now says it will begin fleet-wide rollout of the service in the first quarter of 2010.

"We have concluded our testing for in-flight Wi-Fi and are very happy with both the technical performance of the system and the response of customers who have used it," said Southwest senior VP Dave Ridley. He said customers have been using Row 44's service for "anything from e-mail to streaming video" through their Wi-Fi-enabled laptops and personal communications devices. As for the cost, Southwest said it "will continue testing price points through the end of 2009."

Meanwhile, American Airlines last week issued a progress report on its own installation of the Gogo inflight Wi-Fi service provided by Aircell. American said the service is now available on 100 of its MD-80 aircraft, or two-thirds of the 150 MD-80s scheduled for installations before the end of 2009. American also offers the Gogo service on 15 767s used in domestic service.

*Executive Travel SkyGuide e-Alert, August 24, 2009*

## **Virgin America increases checked baggage fees**

Virgin America Airlines is the latest U.S. carrier to increase its fees for checked baggage. Virgin said that effective for travel on or after September 10, and booked August 21 or later, the fee for each checked bag will rise from \$15 to \$20 for main cabin passengers.

The same per-piece fee applies for one, two, or even three or more checked bags. Passengers traveling in the main cabin on select and refundable fares will still be able to check one bag for free; the free allowance for first class passengers will be two checked bags.

"All weight and size policies remain the same, and the airline's carry-on baggage policy has not changed, Virgin said. The same fee applies whether customers pay it at the airport or on-line.

*Executive Travel SkyGuide e-Alert, August 24, 2009*

## **US Airways raising checked bag fees by \$5**

US Airways said Wednesday it is bumping up its fees for first and second checked bags by \$5 each, and is tacking on an additional fee for a second checked bag on trans-Atlantic flights.

The Tempe, Ariz.-based airline it will charge \$20 for the first checked bag and \$30 for the second, when bags are checked online. The current charge is \$15 for a first checked bag and \$25 for a second checked bag when checked online.

Passengers will also pay an extra \$5 per bag checked in at the airport. The current bag fees at the airport are \$20 for the first and \$30 for the second.

US Airways Group Inc. is also matching a \$50 second checked bag fee on its trans-Atlantic flights, a charge recently introduced by American Airlines and Delta Air Lines. The new trans-Atlantic second bag fee will apply to all European destinations served by the airline.

The US Airways fee changes are effective starting Wednesday for travel on or after Oct. 7.

The carrier's top-tier frequent fliers — those with Silver, Gold, Platinum or Chairman's Preferred status — will be exempt from the fees. So will Star Alliance Silver and Gold status members, first class passengers and active-duty military personnel.

*USAToday.com, August 27, 2009*

## **American Airlines adds baggage fee on some overseas flights**

American Airlines said Friday it would charge a \$50 fee to check a second bag on flights between some cities in Europe, India and the United States. Starting Sept. 14, passengers on those flights will pay the new fee to check a second piece of luggage. The first bag is still free.

The airline industry, battered this year by sagging travel demand, has begun generating new revenue by charging fees for items and services that once were included in the price of a ticket. Most major U.S. airlines now charge bag-check fees.

AMR said the fees would apply on routes to, from, or through India, as well as the countries of Belgium, England, France, Germany, Ireland, Italy, Spain and Switzerland.

*USAToday.com, August 26, 2009*

## **Continental adds bag fee on international flights**

Continental Airlines Inc. said Wednesday it will charge some coach passengers on international flights \$50 to check a second bag, joining several other carriers in imposing the fee.

Continental said the new fee would affect passengers flying between Europe and the United States, including U.S. territories such as Puerto Rico and the U.S. Virgin Islands. The first checked bag will remain free.

The second-bag fee applies to tickets bought on or after Thursday for travel on or after Sept. 15.

Continental won't charge upper-tier members of its frequent-flier program including those seated in first or business class, customers with full-fare economy tickets, holders of its Presidential Plus credit cards or military personnel and their families traveling on official orders.

Houston-based Continental, the nation's fourth-largest airline, said customers who check in and pay for bags on its website would get a \$5 discount.

In recent days, American Airlines, Delta Air Lines and US Airways have also announced similar \$50 fees for checking a second bag on trans-Atlantic flights.

*USAToday.com, August 26, 2009*