

Travel Industry Survey

The Impacts of Airline Unbundling and Ancillary Fees

Business Travel Coalition

Tuesday, July 13, 2010

Survey Method

The survey was conducted over five days, from July 5 through July 9, 2010. Twenty-five hundred (2,500) participants were randomly chosen from BTC's electronic community of over thirty-five thousand (35,000). One hundred and eighty-eight (188) corporate travel managers, travel agency executives and other industry participants such as airlines, technology firms and consultants participated in the survey. The survey software was set to block someone from taking the survey more than once. Results can be filtered by type of survey participant, e.g., corporate travel manager, travel agency executive.

- ◆ 86 corporate travel managers participated in the survey
- ◆ 52 travel agency executives participated
- ◆ 50 other industry participants participated

Key Quantitative Results

- ◆ 100% of travel managers indicated that unbundling and ancillary fees have caused serious problems for corporate managed travel programs.
- ◆ 86% of travel managers believe that airlines, absent government regulation, will not make fair, adequate and readily accessible disclosure of their extra fees and charges so that travel managers and/or their TMCs can do comparison shopping of the all-in prices for air travel across carriers.
- ◆ 95% of travel managers support the proposal that the U.S. DOT require airlines to make ancillary fee data available and easily accessible to the travel agency channel through any GDS in which that airline has agreed to participate.
- ◆ 95% of travel managers do not support an airline distribution model wherein access to airfare and ancillary services content is available only on airlines' websites, or through direct connections to multiple airlines' inventory systems.

Survey Results

		Travel Managers	Travel Agency Executives	Other Industry Participants	All Survey Participants
Do you agree that unbundling and ancillary fees have caused serious problems for corporate managed travel programs?	Strongly Agree	74.4%	69.2%	36.0%	62.8%
	Agree	25.6%	26.9%	32.0%	27.7%
	Undecided	0%	3.8%	8.0%	3.2%
	Disagree	0%	0%	20.0%	5.3%
	Strongly Disagree	0%	0%	4.0%	1.1%
If you are a corporate travel manager how positively or negatively have ancillary fees and unbundling impacted your travel program?	Very positively	2.3%	NA	NA	NA
	Somewhat positively	0%	NA	NA	NA
	Neither positively or negatively	4.7%	NA	NA	NA
	Somewhat negatively	60.5%	NA	NA	NA
	Very negatively	32.6%	NA	NA	NA
If you are a travel agency executive, how positively or negatively have ancillary fees and unbundling impacted your business and ability to service your customers?	Very positively	NA	3.8%	NA	NA
	Somewhat positively	NA	7.7%	NA	NA
	Neither positively or negatively	NA	3.8%	NA	NA
	Somewhat negatively	NA	53.8%	NA	NA
	Very negatively	NA	30.8%	NA	NA
Do you believe the airline industry, absent government regulation, will respect the interests of distribution participants, including travel managers, in the area of ancillary fees and unbundling?	Yes	4.8%	0%	20.0%	7.5%
	No	90.5%	92.3%	68.0%	84.9%
	Unsure	4.8%	7.7%	12.0%	7.5%
Do you believe that all members of the airline industry, absent government regulation, will make fair, adequate and readily accessible disclosure of their extra fees and charges so that travel managers and/or their TMCs can do comparison shopping of the all-in prices for air travel across carriers?	Yes	2.3%	0%	20.0%	6.4%
	No	86.0%	88.5%	68.0%	81.9%
	Unsure	11.6%	11.5%	12.0%	11.7%
The U.S. DOT is seeking industry input on whether, in addition to requiring airlines to make ancillary fee data available and easily accessible on their websites, that an airline should be required to make the fee data available to the travel agency channel through any GDS in which that airline has agreed to participate. Do you support this requirement?	Yes	95.3%	96.2%	88.0%	93.6%
	No	2.3%	0%	8.0%	3.2%
	Unsure	2.3%	3.8%	4.0%	3.2%
Do you support an airline distribution model wherein access to airfare and ancillary services content is available only on airlines' websites, or through direct connections to multiple airlines' inventory systems requiring TMC investments of time and money to adopt and implement new technologies and requiring increased transaction fees for corporate travel departments?	Yes	2.3%	4.0%	28.0%	9.7%
	No	95.3%	92.0%	56.0%	83.9%
	Unsure	2.3%	4.0%	16.0%	6.5%

Representative Comments From Survey Participants

Do you agree that unbundling and ancillary fees have caused serious problems for corporate managed travel programs?

- “Airlines should not be responsible to solve the problems of their large corporate customers.”
- “The comparison of different providers options is difficult as there are all-inclusive, partly-inclusive, status-inclusive, non-inclusive prices. At the moment the extra services and fees are not available for total cost calculation in our preferred channel, the GDS.”
- “Determining the actual cost of transportation is now so difficult, that we cannot help departments prepare travel budgets for the following year.”
- “We are reimbursing expenses to travelers without true knowledge of what they cover.”
- “I have estimated we have 1200 travelers that are having MAJOR issues submitting their expense reports since they cannot prove to us the additional ancillary fees. I STRONGLY AGREE that airlines should disclose the cost on the itinerary booking. We also are unable to capture spend. A lot of our travelers are surprised when they get to the airport and realize they have to pay additional charges. Airlines are really making a travel manager’s life miserable.”
- “More and more fees are appearing after the fact. Unclear baggage fees, seat assignment fees, boarding priority fees, unclear cancellation and change fees are getting more complex and are very hard for travel managers and travelers to understand.”
- “It becomes more and more difficult to know what is behind what we negotiate and buy. The final expense compared to budgeted trip may come to a complete surprise!”
- “Advanced planning and budgeting for travel has become uncertain, with employees being surprised at check-in counters with big charges. This is pure greed that affects all, not just corporate travel. Travel by highways has become my approach for short distance local travel.”

Representative Comments From Survey Participants

If you are a corporate travel manager how positively or negatively have ancillary fees and unbundling impacted your travel program?

- “I am in favor of the airlines looking at ways to increase revenue and stay in business, but they need proper tracking and distribution channels to help companies track and negotiate the spend. When I have airlines telling me that we aren't meeting market share based on TMC sales, they are not considering all of the additional revenue we are giving them on ancillary fees.”
- “On paper it appears that we have kept airfares down but in actuality we have no accurate way of determining our actual air costs.”
- “I can no longer manage costs as the fees are hidden. There is no way to determine if the traveler paid for baggage or upgraded to business class.”
- “Reimbursement for unplanned travel fees is difficult to process in my computerized environment where travel is pre-approved based on cost. This was once a simple matter. Now the extra e-paper-work and hard paper-work after travel where employees use personal credit cards to facilitate corporate travel is highly problematic.”
- “As someone who helps corporate travel managers manage travel costs, this is a monkey wrench of an issue to say the least!”

Representative Comments From Survey Participants

If you are a travel agency executive, how positively or negatively have ancillary fees and unbundling impacted your business and ability to service your customers?

- “Currently TMCs function as an uninformed advisor to corporations regarding ancillary fees. I am concerned, as others, that purchasing these fees in advance through TMCs will add extra work for agents. Problems, such as refunds of fees due to cancellations, debit memos from airlines, and reconciling fees to credit cards will cause increased labor and technology costs that clients may not want to pay.”
- “Sourcing of ancillary fees is difficult. Corporate travel policies in many instances do not address these fees. It seems the inability of the airlines to create pricing models that work make this type of pricing deception required.”
- “The more options there are, the more opportunity for making mistakes.”
- “Because airlines are not forthcoming with information, we cannot relay the true cost of an itinerary to the traveler.”
- “We have an inability to compare apples to apples when searching for flight alternatives for our customers.”
- “The only reason I sell an airline ticket is to service a valuable client. Their good will and future business is my only incentive to sell any airline ticket. Now, I respond to a new call for airline tickets by letting the customer know that they should go direct to the airline. And now they charge to talk to them.”
- “Booking travel for an executive that has multiple legs or international travel is HORRIBLE. Not to mention the NON-REFUNDABLE fees.”
- “Additional fees make travel more expensive and a real hardship for the public.”
- “We are unable to report accurately the costs our clients are spending on business trips due to the unknown costs related to checked bags, food purchased on board the aircraft and added costs to obtain assigned seats.”

Representative Comments From Survey Participants

Do you believe the airline industry, absent government regulation, will respect the interests of distribution participants, including travel managers, in the area of ancillary fees and unbundling?

- “I hope so! The less government the better, however we will need oversight where the airlines are concerned.”
- “I don't trust the airlines to do anything on their own.”
- “No, there is too big a revenue stream; airlines (and other vendors to follow suit) will not give this up.”
- “Why should they? They control the airways and it seems their motto is: ‘We can do what we want. If the consumer doesn't like it, let them drive to destination!’”
- “In fact, if airlines hold true to their past, they will push the responsibilities to the TMCs and corporations to lower their employee costs.”
- “The airlines could care less if we incur additional costs. They have absolutely no respect for travel management companies.”
- “I'd love to believe they can do this without regulation, but not sure anything besides govt action would motivate the airlines to act accordingly.”
- “Many airlines want to hide these charges from buyers so that they can distort the real ticket cost in the GDS and other distribution channels.”

Representative Comments From Survey Participants

Do you believe that all members of the airline industry, absent government regulation, will make fair, adequate and readily accessible disclosure of their extra fees and charges so that travel managers and/or their TMCs can do comparison shopping of the all-in prices for air travel across carriers?

- “I would think the majority of the airlines would not, but maybe some of the smaller ones might.”
- “Disclosing ancillary fees may jeopardize the airline credibility in that they sometimes falsely display to lure travelers.”
- “The more ambiguous the unbundling fees are, the better for the airlines and the worse for travelers.”
- “I think the role of the TMC is enhanced by these types of solutions. I don't believe this was the intent of the airlines.”
- “If the content were presented through the GDS, it would be available for comparison. If the content were limited to each web-site; then issues could follow.”
- “Part of their survival strategy involves secrecy and deception. The competition must not know, in their view. Why disclose money making schemes?”
- “Again, the airlines do not want transparency in this area so that they can show a lower price and ultimately charge the excess fees to make up for their pricing inefficiencies.”
- “They have not done so in the past. That is why the government has had to step in regarding long delays on the tarmac.”

Representative Comments From Survey Participants

The U.S. DOT is seeking industry input on whether, in addition to requiring airlines to make ancillary fee data available and easily accessible on their websites, that an airline should be required to make the fee data available to the travel agency channel through any GDS in which that airline has agreed to participate. Do you support this requirement?

- “If the fees are to be imposed, the travel agent is in dire straight if he/she does not have the complete cost to a person flying, before he gets to the airline.”
- “As a midmarket client for a global TMC, we rely heavily on the TMC reporting to leverage our spend. Capturing only a fraction of that spend through the TMC makes this impossible.”
- “Many consumers still use their local travel agency as a resource for making travel arrangements, therefore, it is essential they have that all the information concerning ancillary fees is available to them/and consumer at the point of sale.”
- “The GDS is the primary source of information to serve consumers. Efforts to avoid placing information in the GDSs are harmful to customers and travel agencies.”
- “Yes the GDSs would create an opportunity to evaluate the "total cost" and allow for the corporate travel programs to evaluate based upon effective comparisons.”
- “Without this, TMC reporting information will be useless to its clients.”
- “If they want to charge these fees, they should be open and cooperative about supplying the fee information.”

Representative Comments From Survey Participants

Do you support an airline distribution model wherein access to airfare and ancillary services content is available only on airlines' websites, or through direct connections to multiple airlines' inventory systems requiring TMC investments of time and money to adopt and implement new technologies and requiring increased transaction fees for corporate travel departments?

- “This proposal will encourage non-compliance to travel policies.”
- “Corporate travelers are already paying higher fares and now they get stuck with all these "extra charges." TMCs will now have to charge more if they have to create systems to unbundle. If the airlines want it, they should create it.”
- “The corporate customer shouldn't have to continually bear the burden of the airlines poor financial management. Like any other idea, sometimes you have to spend money to make money. The airlines should invest in the channels to collect and fairly distribute the ancillary services they intend to make money on.”
- “That will kill the TMC as an independent distribution option, by channeling traffic to airline websites.”
- “This would be an attempt by airlines to increase their bottom line by circumventing systems in place, so that they can avoid costs and prevent valuable information from being readily available, unless someone else pays for it.”
- “This would effectively compromise shopping/search behavior. One-stop shopping creates transparency, which is vital to corporate travel programs.”
- “My concern is that large airlines will remove content from selective GDSs and leverage the ability to do so against the GDS which would create a new set of problems.”

Representative Comments From Survey Participants

Apart from requiring full and fair disclosure of extra fees and charges (see question 12 above), do you have a view on what, if anything, the U.S. Congress or the U.S. DOT should do in the area of unbundling and ancillary fees?

- “The US congress or the DOT should do NOTHING, let the free market forces rule.”
- “Require full disclosure through the GDSs, or mutually agreeable channel. Nothing more - we DO NOT need more government regulation!”
- “Require airlines (as charge card merchants) to itemize these charges clearly so the corporate buyer can analyze the spend.”
- “I don't mind the airlines introducing these fees which I think are necessary to the health of the airline industry but do think it should be a requirement for them to offer access to booking and prepaying these fees through the GDSs.”
- “All fee data should be made available to travel agents through their GDSs. All airlines should be required to provide full and fair disclosure by law.”
- “If unbundling is an accepted practice going forward, all fees should be available in a standardized fashion to the GDS systems that the industry uses for the majority of airline bookings.”
- “The government should make it mandatory for all airline to disclose this information in the GDS systems and at the expense of airlines NOT the consumer or travel programs.”
- “Imposition of government action of some facet of the airlines "free" action is not only necessary, but desired.”
- “The less government the better, however there will need oversight where the airlines are concerned from BTC, etc.”