

Business Travel

OCTOBER 2011
VOL 10, NO. 13

Footnotes™



A BUSINESS TRAVEL UPDATE FROM
Airlines

Travel Industry Opposes New Aviation Taxes

Both the aviation industry and travel and tourism industries are opposing the President Obama's plan to impose \$3.5 billion annually in new taxes on airlines and their passengers to help pay off the country's budget deficit. A major bone of contention: an increase in the Aviation Passenger Security Fee. The proposal would up it to \$5 per flight. It had been \$2.50 per flight segment, for a maximum of \$5 per one-way trip. The fee would then increase by 50 cents each year through 2017, maxing out at \$7.50. Fifteen billion dollars of the new taxes would go into the General Fund for debt reduction, with any money beyond that going toward the Transportation Security Administration's (TSA) discretionary appropriations. The Air Transport Association says fee increases will force airlines to raise fares or reduce service, which will mean fewer jobs. According to the ATA, federal taxes and fees in the United States account for \$61, or 20 percent, of the cost of a typical \$300 domestic round-trip ticket. The U.S. Travel Association, a travel industry advocacy group, also opposed the tax, saying that any increase in travel fees should be invested directly into the national travel system and infrastructure. The travel industry in general has taken the position that governments are responsible for national security costs, not specific industries. (Source: ATA and USTA press releases).

Airlines Lose Bid to Delay Implementation of New Consumer Protection Rules

Three low-cost carriers lost their legal challenge of new Department of Transportation consumer protection rules scheduled to go into effect Jan. 24. The U.S. Court of Appeals in the District of Columbia denied Southwest Airlines, Spirit Airlines and Allegiant Airlines' attempt to block a rule that would require them to include all taxes and fees in the fares they advertise instead of breaking them out separately. The airlines say that they differentiate themselves with low fares and want consumers to know how much of what they pay goes to taxes. Airlines also asked the court to review a ban on raising airline prices after consumers buy their ticket. And they protested the new rule requiring airlines to let consumers cancel a flight without penalty within 24 hours of booking that flight. Many airlines, already do this; including American Airlines, Continental Airlines, Delta Air Lines, Frontier Airlines and US Airways. But Spirit says that consumers will abuse this and the result will be higher ticket prices. The court denied the airlines' challenge, saying that they had not met stringent requirements for such as stay. (Source: court documents).

More Travelers Choose Airlines Because They Offer WiFi

One in five users of Gogo inflight internet service say that they've switched carriers because they'd rather be on flights with inflight internet service, according to a survey of 7,000 Gogo users. Inflight Wifi is particularly important to business travelers, according to Gogo, which provides inflight Wifi to eight airlines. Three airlines have Wifi on their entire domestic fleet: AirTran Airways, Delta Air Lines and Virgin America. Five more have it on select aircraft; they are: Air Canada, Alaska Airlines, American Airlines, United Airlines and US Airways. (Source: Gogo press release).

Pace of Air Travel Growth Starts to Slow

As expected, passenger air travel growth began to slow in August, according to numbers just released by the International Air Traffic Association. Passenger demand was up 4.5 percent, less than the 6 percent July increase. North American carriers reported the weakest performance with growth of just 2.9 percent, which was partly a result of equally slow growth in capacity. This is a sharp downturn from stronger growth earlier in the year, as reflected in the 5.6 percent year-to-date demand expansion. However,

North American carriers had the highest load factor at 86.1 percent. (Source: IATA press release).

Hotels

PKF is Bullish On Hotels Despite Economic Gloom

Hotel demand growth over the past two years has been surprisingly strong, according to PKF Hospitality Research, which is forecasting that room revenue for hotels will grow 7.2 percent this year, more optimistic than forecasts earlier in the year. The reason for this optimism, PKF says, is that 91 percent of the people in the workforce have jobs, the unemployment rate among educated workers, who make up the largest majority of the travelling public, is under 5 percent and corporate profits are soaring to new highs. All these factors are why the hotel industry has seen a growth in demand despite the weak economy. Demand is growing faster than the supply of hotel rooms is growing. PKF says this means hoteliers can start to raise rates—average daily rates thus far have lagged other major indicators for hotels. (Source: PKF press release).

Rail

New Try to Expand High-Speed Rail

A new report says that high-speed rail can work in the U.S. but that it will take a fresh approach that focuses on public-private partnerships that supplement state and federal funding with private funding. It would mean prioritizing high-speed rail in areas such as California, where work on a high-speed line is moving forward, and the northeast, where the Amtrak already competes well with airlines. The recommendations are in a report by the Lincoln Institute, which has worked on high-speed rail internationally for decades. It points to the example set by Asian and European countries whose trains go 185 mph or faster. It recommends putting high speed stations in city centers with lots of connections to buses, subways and commuter rail. (Source: Lincoln Institute press release).



Spotlight On.....

Business Travel Growth Rate Doubles

Global corporate travel booking grew by more than 10.2 percent in August 2011 over August 2010, according to Pegasus Solutions, a global hotel reservation processing company. August improved over July, when the pace of growth flagged in the face of mounting financial market tensions. Pegasus noted other trends showing that companies are trying to shave travel costs but not eliminate travel.

- ***Length of stay is growing very slowly, increasing from 2.2 nights in August 2010 to 2.21 nights in August 2011.***
- ***Booking lead times are increasing gradually, from 17.44 days out in 2010 to 17.79 in 2011.***
- ***South America showed the greatest revenue growth—30.3 percent year over year.***
- ***North American and Europe reported 13.6 percent and 15.2 percent revenue growth, as those markets grappled with the impact of Hurricane Irene and concerns about the debt crisis in Greece and other European countries.***

Source: The Pegasus View report.

Holiday Travel International is committed to providing you with useful information on the latest developments in the travel industry. The above information has been compiled from a variety of sources and is updated monthly.