

CWT **VISION**

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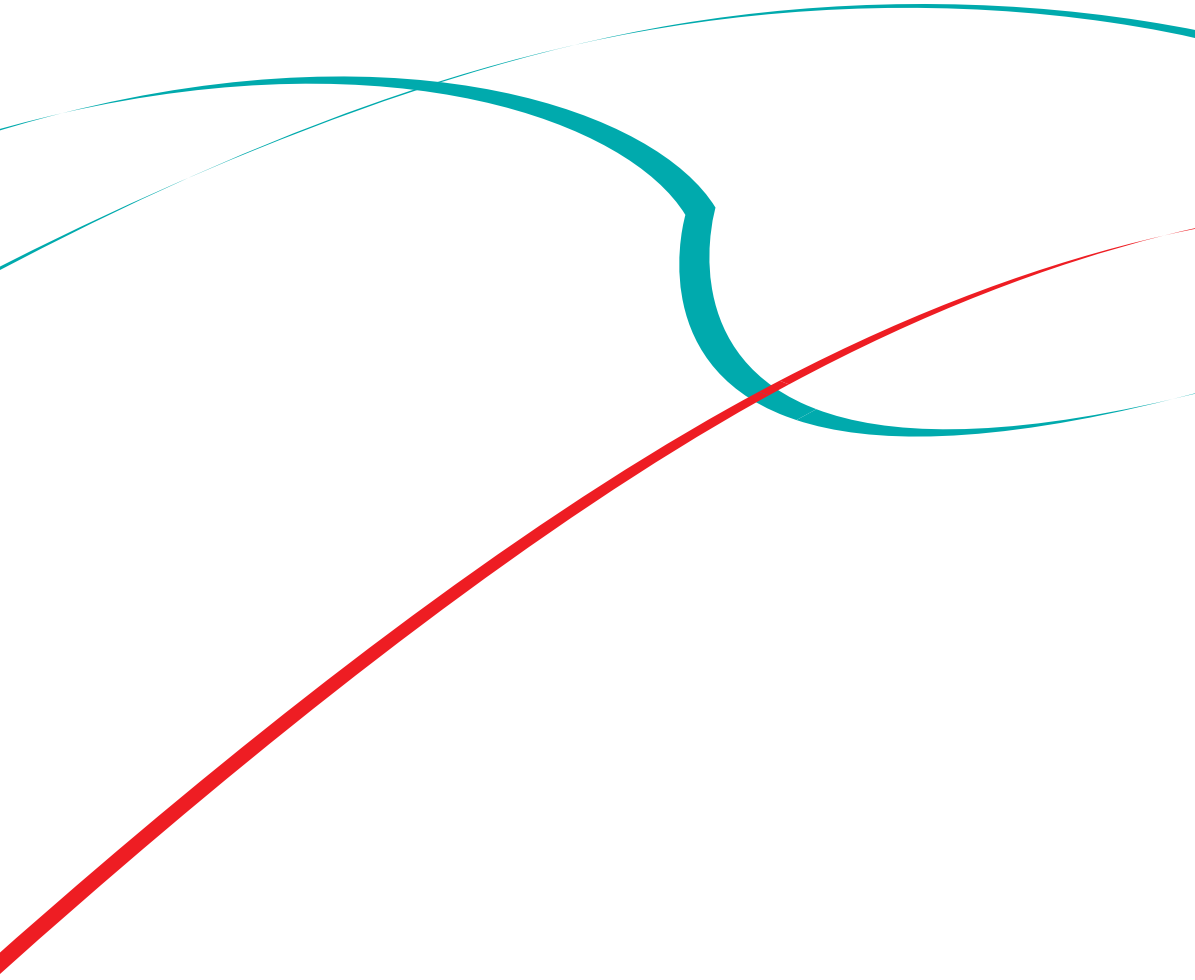
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CWT VISION

Global Edition

Issue 2 - September 2007

Insights into effective travel management

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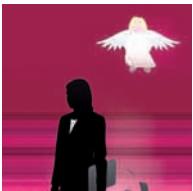


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Business Travel Drives Economic Growth



Business travel is essential to building relationships and ultimately increasing an organization's bottom line. But its impact does not stop there. Business travel represents 40 percent of the entire global travel sector or US\$350 billion. These figures reflect not only a robust global economy but the important role business travel plays in helping to drive economic development. Yet many challenges face our industry as borders dissolve and interests merge.

Mobility is imperative for economic development. Increases in air traffic coincide with and sometimes surpass economic growth. In 2007, air traffic is forecast to increase by nearly 6 percent worldwide, while economic growth should reach 4 percent. Looking ahead to 2025, passenger air traffic in Asia is expected to increase to 33 percent of passenger air traffic worldwide (from 26 percent in 2005), while the share in North America and Europe is likely to drop to 29 percent (from 36 percent) and 26 percent (from 27 percent) respectively.¹

The surge in Asia cannot take place, however, without significant development of the region's infrastructure. In China, 48 new airports are due for completion by 2010. India, on the other hand, is coming late to the game despite record-breaking economic growth. In Europe, the situation is no less worrisome, as major air and rail hubs are saturated and mobility undermined. For people to circulate freely, transportation systems must be modern and efficient, both at domestic and international levels.

In order for business travel to continue to generate economic prosperity for individual organizations and society as a whole, governments and the private sector must work together to find solutions that will ease the demands on organizations and their travelers.

In addition to the challenges presented by an overburdened infrastructure, the priorities that demand our collective attention include a pragmatic but optimal approach to safety and security, more liberal access to foreign ownership of airlines, more efficient air traffic

¹ Source: ICAO (International Civil Aviation Organization)

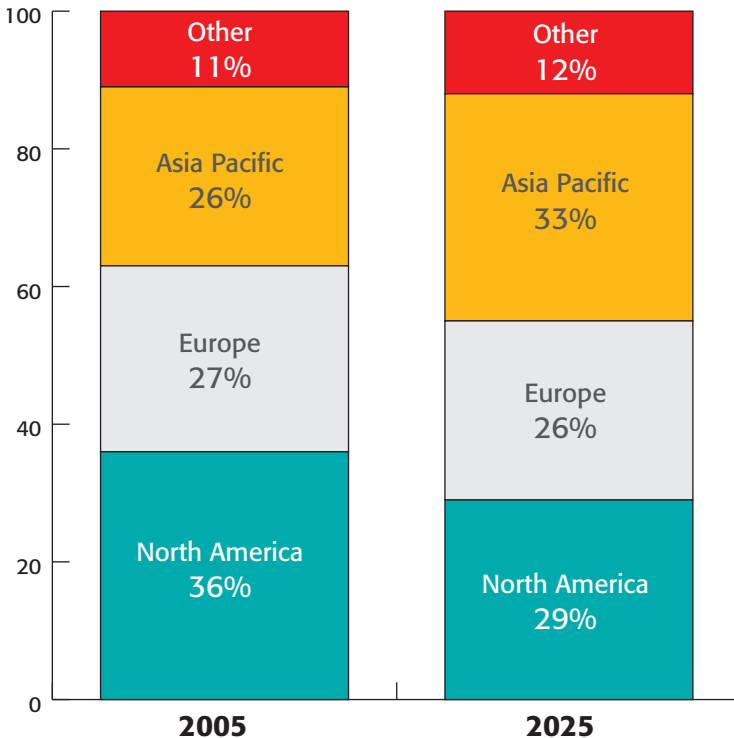
control worldwide, effective measures to halt the disproportionate taxation on air travel, continuous reduction of greenhouse gases and guaranteed access to relevant content through global distribution systems (GDSs).

In the global edition of *CWT Vision*, we will continue to discuss these subjects not only as they apply to the everyday management of your travel program but as they pertain to the bigger economic picture. Together, we can help make a difference by being aware of and engaged in the issues that concern us professionally and contribute to the prosperity and well-being of the societies in which we live.

At Carlson Wagonlit Travel, we look forward to working with you to shape the future of business travel and meet our responsibilities as global professionals and global citizens.

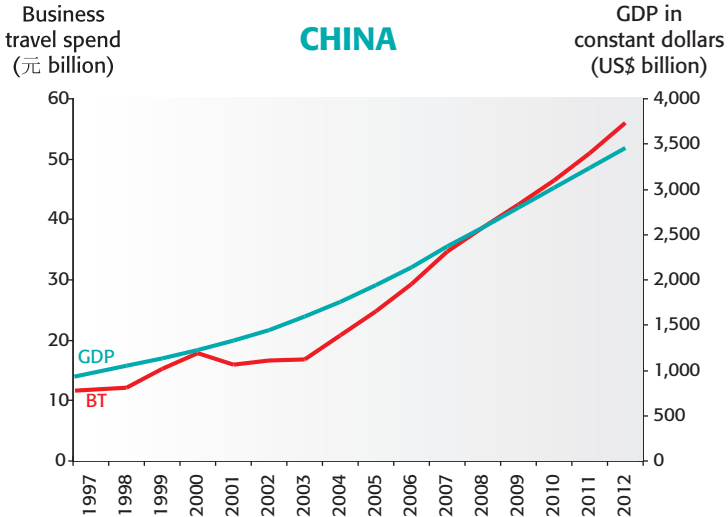
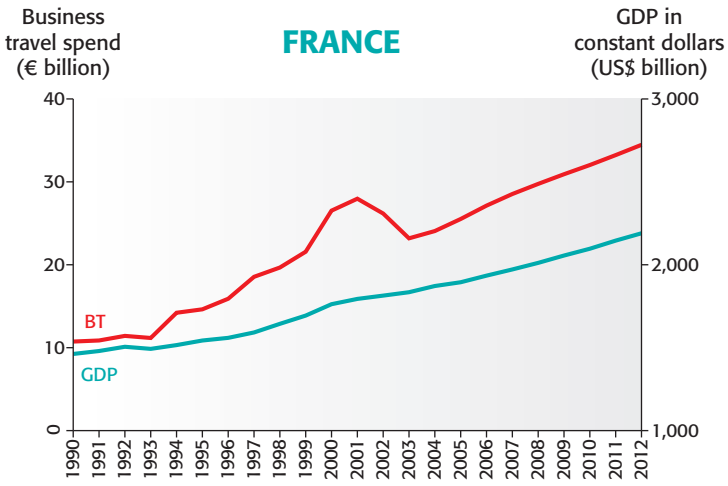
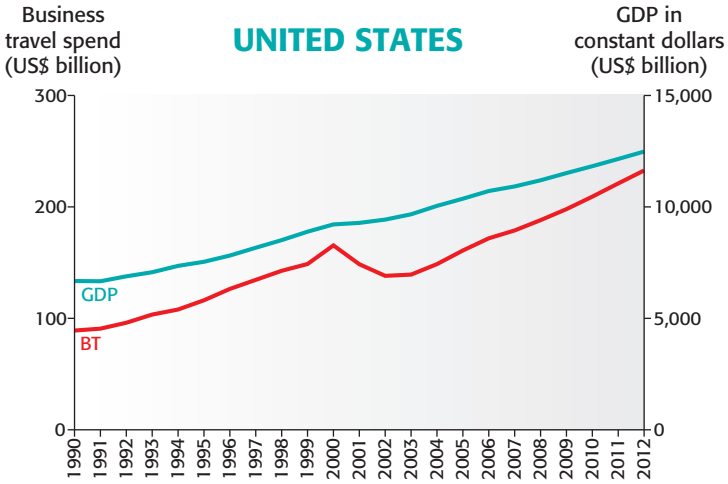
Christophe Renard
Editor-in-Chief

Share of air passenger traffic by region, 2005 vs. 2025



Source: ICAO (International Civil Aviation Organization)

Economic growth compared to growth in business travel



Source: CWT Travel Management Institute (based on data from EUI data services and WTTC)



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Responsible Business Travel: A Pragmatic Approach

What impact does business travel have on the environment and how can travel managers turn their travel programs “green”?



David Tibbles

Global Product Director
Online Booking and Environment, CWT

“Enough PR. It’s time to deliver some real results.” This comment, made recently¹ by Giovanni Bisignani, director general and CEO of the International Air Transport Association (IATA), sums up the conclusion many business and political leaders are reaching on the environment. Companies are increasingly required—by stakeholders, if not by law—to provide detailed reports on their carbon footprint and to work toward reducing their emissions. Travel managers can contribute by examining the environmental impact of business travel and helping employees “travel smarter.” Taking a pragmatic approach to carbon calculating and management is a good place to start.

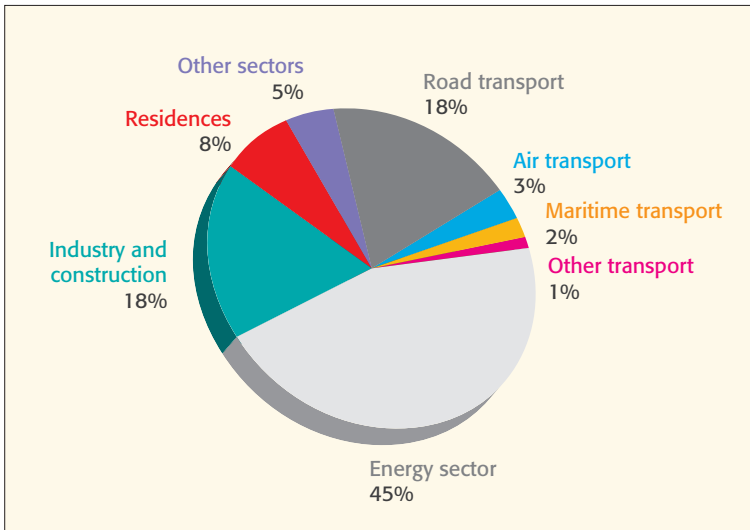
How green is my travel?

According to the U.K.’s Institute for Public Policy Research, a traveler taking a round-trip flight from London to Perth, Australia, produces as much carbon as the average Briton does in one year. CE Delft, a non-profit environmental agency, calculates that for a single journey of 1,500 kilometers (932 miles), aircraft emit approximately twice as much greenhouse gas per passenger kilometer as cars or high-speed rail. For a distance of 500 kilometers (310 miles), they emit six times more. While different experts produce different figures, they generally agree that air—the staple of business travel—is a particularly “carbon-heavy” mode of transport.

¹ IATA Annual General Meeting and World Air Transport Summit, June 3-5, Vancouver

Surprisingly, aviation is not the largest polluter in the transport sector: it represents only 3 percent of all global carbon emissions, according to the International Energy Agency (IEA). This compares with approximately 18 percent for road transport, 2 percent for sea transport and 1 percent for other transport (including rail). Air travel is, however, one of the fastest growing contributors to global warming, according to many sources. For example, the European Environment Agency calculates that carbon emissions from flights rose by 86 percent between 1990 and 2004, canceling out a quarter of the reductions in emissions made by other sectors. According to the Intergovernmental Panel on Climate Change, if global airline emissions continue to grow at the same pace, they could double by 2025 and reach 15 percent of the world total by 2050.

Air travel represents 3% of global carbon emissions, compared to 24% for all transport



Source: International Energy Agency (2005)

Yet the future may not be so bleak. IATA underlines that fuel efficiency in the airline industry has improved by 70 percent over the last four decades and will improve by a further 25 percent by 2020, thanks to new aircraft—notably, the Boeing 787 and Airbus 380 “superliners” which will consume fewer than 3 liters (0.8 U.S. gallons) of fuel per 100 passenger kilometers, compared with an average of 4 liters (1 gallon) of fuel today and 5 liters (1.3 gallons) 15 years ago. As a result, carbon emissions from air travel could grow by just 1 percent by 2050, according to the United Nations, which estimates current aviation emissions at just 2 percent (compared to the 3 percent estimated by the IEA).

Future emissions could be lower still if governments and airlines cooperate fully. To that end, IATA believes a zero emissions aircraft is possible within the next 50 years and is pushing for more efficient air traffic control—the association says the planned Single European Sky (a restructured airspace with harmonized, cross-border management) would save up to 12 million tons of carbon. IATA also supports the principle of an emissions trading scheme for aviation, which would force airlines to limit their carbon emissions or pay for any surplus.

When considering the impact of travel on the environment, companies should think beyond air and consider other components of business trips, such as hotel stays. CWT calculates that each room night generates approximately 28 kilograms (61.7 pounds) of carbon, based on offset averages. Although hotels have largely ignored international environmental management standards such as ISO14001, an increasing number of properties are implementing green policies. It is clear that the travel industry as a whole has begun to act.

Suppliers “going green”

Airlines, hotels and other industry players are rallying to the green cause. Many are offering carbon-offsetting services to customers, while others are also undertaking carbon-reduction initiatives or investing in energy-efficient technologies. The following are some examples:

- **Air.** Airlines like **Air Canada, British Airways and Delta Air Lines** have announced carbon-offsetting schemes that enable travelers to purchase carbon-neutral flights when booking via the Internet. **Silverjet**, a new low-cost airline operating all-business transatlantic flights, has made carbon offsetting compulsory by including it in ticket prices. Another approach is partnering with environmental organizations: **Star Alliance**, for example, supports three global projects, including the UNESCO-Man and Biosphere Program. Other airlines are communicating on how “clean” their fleet is. **Ryanair**, for example, claims to be Europe’s greenest airline, thanks to investments in new aircraft over the past five years. The most significant move so far, however, has been initiated by the **Virgin Group**, which will invest profits over the next 10 years into a US\$3 billion “Virgin Fuels” project to develop renewable technologies.
- **Rail.** France’s **SNCF** has introduced a carbon calculator to help build customer awareness. **Eurostar** has gone one step further with its “Tread Lightly” campaign, which will include carbon-neutral travel at no extra cost to customers, starting in mid-November this year. The company also plans to reduce its carbon emissions by a further 25 percent per traveler by 2012 through more efficient use of train capacity and other measures. Meanwhile, **Virgin Trains** launched Europe’s first biodiesel passenger train in the U.K. in June and, like its sister company Virgin Atlantic, plans to contribute profits to Sir Richard Branson’s Virgin Fuels project.
- **Hotels.** Many hotel chains and individual properties are reinforcing their green credentials, often as members of environmental associations or through certification programs such as the Green Hotels Association or Green Globe. In addition to committing to eco-friendly operations, including energy conservation and recycling, hotel managers are increasingly thinking green right from the design stage. For example, in October last year, **Starwood** announced plans to build “1” Hotel and Residences, designed in cooperation with the Natural Resources Defense Council. The **Rezidor Hotel Group’s** award-winning Responsible Business program also stands out for its company-wide commitment to day-to-day, environmentally friendly action.

- **Car rental.** **Hertz** recently announced plans to expand its “Green Collection” of fuel-efficient, hybrid rental cars, as a complement to existing eco-friendly initiatives that include reusing 80 percent of waste water in car washes, working only with vendors who recycle oil and using energy-efficient equipment in its offices. Other car rental companies such as **Avis** and **Europcar** have also announced green initiatives, mainly at a country level.
- **GDSs.** **Galileo** has announced it is working on a customer tool that will measure carbon emissions. Its parent company, **Travelport**, has also announced a company-wide ecology program and specific initiatives such as offsetting participants’ travel to the World Travel and Tourism Council last May.
- **Travel associations.** Industry groups are stepping up their efforts to help companies go green through events, training, research and practical guidelines. The **Association of Corporate Travel Executives (ACTE)**, for example, has set up a new Global Center for Research, whose first task is to explore climate change. At the same time, the **Institute of Travel Management (U.K. and Ireland)** has launched Project Icarus, a program including a toolkit of practical advice for travel managers.
- **Travel Management Companies (TMCs).** All the major global TMCs are developing an environmental offering, while stepping up green initiatives within their companies. CWT, for example, has launched a carbon calculator to help clients compare the environmental cost of air and rail travel and make greener choices. Post-trip carbon reporting is also available.

A pragmatic approach to sustainable travel

Faced with industry-wide concern for the environment and evolving products and services, travel managers are increasingly keen to turn their travel programs green. In February, an ACTE/KDS survey reported that only 33 percent of companies have a green travel policy, while only 20 percent calculate carbon or favor environmentally friendly providers. This, however, looks set to change. A strong sign is the increasing number of environmental criteria that companies are including in their requests for proposals—one CWT prospect recently listed 60 questions, ranging from the type of fuel used by different suppliers to the proportion of e-tickets issued. Companies also want to know what a TMC’s environmental credentials are and how it can help them go green.

In response, CWT recommends a pragmatic approach:

- **First, think simple when calculating your carbon footprint and the impact of your company’s travel.** To be strictly accurate, calculations should take into account a wide variety of factors. For example, carbon emissions from flights depend on not only the distance flown and type of aircraft, but the flight altitude, load factor, airports (taxiing times vary) and weather. Yet few suppliers have all the data at their fingertips or share it publicly.

For the moment, it is difficult to know which airlines are the cleanest on specific routes, although they are likely to be those with the most modern fleets. What is certain is that train travel generates significantly less carbon than air travel—approximately three times less per passenger kilometer, according to CWT calculations. In the future, more sophisticated data will undoubtedly be available and may well become a legal requirement for suppliers. In the meantime, companies can already make decisions based on available industry averages. Defra, the U.K. Department for Environment, Food and Rural Affairs, has taken this approach, launching a carbon calculator for travelers developed by CWT. (See below.)

Carbon Calculator

CO2 calculator

mode of transport air
 rail

From

IATA code if known

To

IATA code if known

single
 return

Rail alternative for air

CO2 emission result

From LONDON HEATHROW APT (LHR)
 To PARIS CHARLES DE GAULLE APT (CDG)
 CO2 emission 100.01 kg
 Journey time HHMM 02:20
 Distance 666.7 km

Alternative rail connection

From LONDON WATERLOO RAIL STATION (QOW)
 To PARIS GARE DU NORD RAIL STATION (XPG)
 CO2 emission 28.80 kg
 Journey time HHMM 05:30
 Distance 720 km

Calculating Carbon

The carbon calculator is available to CWT clients around the world. It makes a standard carbon dioxide calculation on any point-to-point air or inter-city rail route, allowing travelers to make more environmentally friendly choices in transport. The tool will soon provide carbon estimates for hotel stays and rental cars.

Calculations are based on data provided by AEA Energy & Environment, a U.K.-based environmental consultancy.

- Average carbon emissions per passenger kilometer:
 - ▶ Long-haul air (> 600 km): 110g
 - ▶ Short-haul air: 150g
 - ▶ Rail: 40g
 - ▶ Car: 190g
- Average carbon emissions per hotel room night: 28kg

- **Second, find ways to “travel smarter” and limit the environmental impact of travel.** The first question to ask is if a trip is really necessary or if it can be replaced by solutions such as video- and audio-conferencing. As technology improves, virtual meetings could become an increasingly attractive alternative. Assuming, however, that most travel will be considered necessary for some time to come, the key is to integrate the carbon factor into the travel program as realistically as possible.

For example, the environmental argument could tip the balance in favor of rail on some routes. It may also be possible to favor direct flights over connections in certain cases. Similarly, by using a simple carbon calculation based on distance and mode of transport, a meeting organizer could select a location that would limit the carbon generated by participants. As more data becomes available, companies will also find it easier to choose from among suppliers on different routes, based not only on suppliers' own environmental policy, but the whole range of criteria that impact the amount of carbon emitted.

- **Third, use offsetting responsibly and as a final phase of emissions management, not as an end in itself.** Companies need to reduce, not just neutralize, their carbon emissions to help stop global warming. Offsetting merely delays climate change by balancing emissions with a process that absorbs an equivalent amount of carbon dioxide. Depending on the method used, neutrality is achieved over a longer or shorter period of time. For example, new forests must grow before they can process carbon.

There are many different types of offsetting services available on the market. These include reforestation, renewable energy, methane recovery, education and environmentally friendly projects in the developing world. A lack of common standards and information, however, means that not all providers are equally credible. Some providers, for example, simply plant trees while others ensure that new forests are managed on behalf of clients. In addition, it appears that no single provider can manage offsetting projects throughout the world. Most are specialized in one or a few



types of offsetting and are limited geographically. The most effective approach, therefore, may be for companies to identify a best-in-class partner in each region. To that end, CWT is in the process of selecting partners worldwide to offer clients a range of carbon management and offsetting options.

■ **Fourth, anticipate the costs of setting up and running a green travel program.**

The costs include data analysis, policy development, communications and training to raise awareness, carbon calculation and reporting tools, and carbon management/offsetting services. Some of these costs may already be included in a travel management contract. Others, such as offsetting, will cost extra. A company could pay roughly 0.2 percent to 1 percent of its total travel spend for offsetting, depending upon domestic and international travel patterns.

A greener future

Travelers' own awareness of the "need for green" will play a key role in companies' efforts to reduce the impact of their travel on the environment. As carbon calculators become more widespread, employees should become "carbon literate," (i.e., aware of their "personal kilometers of carbon" [PKCs] for each type of trip.) This is likely to produce a major shift in thinking. Carbon management may also become a legal requirement for all companies, beyond the heavy industries that are currently required to abide by environmental regulation in Europe. These developments are likely to push up the costs of travel and travel management, but at the same time, green credibility will be critical in all areas of business. Companies that are quick to embrace sustainable travel will have a continuing advantage. ■





Air Alliances: How to Benefit

Alliances can offer soft- and hard-dollar benefits for business travel programs when the conditions are right.



Guillaume Bizet

Director, Air Solutions Group
Europe, Middle East and Africa, CWT

In 1997, the world's first major air alliance, Star Alliance, was born, promising a new age of seamless and more efficient global travel. Ten years and two major competitors later (oneworld in 1999 and SkyTeam in 2000), the alliance business model has proved its worth. Allied partners now capture more than two-thirds of the global air market and their numbers continue to grow. Meanwhile, travelers enjoy improved service. But how much value do alliances bring to the managed travel program?

This article looks at how alliances have developed and answers the following questions:

- What advantages do alliances bring to companies?
- Are the benefits systematic?
- What are the prerequisites for negotiating effectively with alliances?
- How can companies maximize the benefits?

Synergies and service

Until recently, alliances have brought value mainly to airlines and to travelers.

For airlines, the value has come from synergies and important economies of scale in key areas such as route planning, yield management, maintenance, sales and marketing. In addition, airline partners have efficiently accessed destinations that would otherwise be closed to them because of costs and regulatory constraints.

This has led to a wider choice of city pairs and departures for travelers, combined with more frequent service and shorter connection times on many routes. At the same time, customers have benefited from more attractive frequent flyer programs, as well as access to a larger number of business lounges.

The benefits alliances can offer now extend to companies as well.

The three global alliances together account for 67 percent of global revenue passenger kilometers (RPKs) recorded by the International Air Transport Association (IATA).

| Alliance | Star Alliance | oneworld | SkyTeam |
|---|--|---|---|
| Date of creation | May 1997 | February 1999 | June 2000 |
| Membership | <ul style="list-style-type: none"> ▶ 20 main members including Air Canada, Austrian, Lufthansa, SAS Scandinavian Airlines, Singapore Airlines, Swiss, Thai, United Airlines and US Airways | <ul style="list-style-type: none"> ▶ 10 main members including American Airlines, British Airways, Cathay Pacific, Finnair, Iberia and Qantas | <ul style="list-style-type: none"> ▶ 10 main members including Air France-KLM, Alitalia, Continental Airlines, Delta Air Lines and Northwest Airlines |
| Coverage | <ul style="list-style-type: none"> ▶ 155 countries ▶ 855 destinations ▶ 16,545 daily departures | <ul style="list-style-type: none"> ▶ 150 countries ▶ 700 destinations ▶ 9,000 daily departures | <ul style="list-style-type: none"> ▶ 151 countries ▶ 744 destinations ▶ 14,711 daily departures |
| Network strengths | <ul style="list-style-type: none"> ▶ Europe, North America, Asia | <ul style="list-style-type: none"> ▶ Smallest alliance but good global coverage | <ul style="list-style-type: none"> ▶ North America, Europe |
| Network weaknesses | <ul style="list-style-type: none"> ▶ South America | <ul style="list-style-type: none"> ▶ South America | <ul style="list-style-type: none"> ▶ South America, Australia and New Zealand |
| Market share (% of total RPKs for IATA member airlines) | 22.7% | 21.2% | 22.8% |
| Load factor | 73.7% | 76.2% | 79.2% |
| Total revenue (US\$M) | 119,286 | 90,713 | 92,842 |
| Net profit (US\$M) | 3,374 | 2,367 | -7,734 |

Source: Star Alliance, SkyTeam, oneworld, IATA

Notes:

- Load factors, revenues and profits are calculated on the latest full-year figures for each member airline as of June 1, 2007.
- IATA member carriers accounted for 85 percent of total scheduled RPKs in 2005.

Benefits for companies

In the last few years, alliances have started to package their services for companies and propose formal alliance contracts. Star Alliance is leading the drive for corporate business with approximately 80 deals signed, compared to about 10 at SkyTeam and fewer than five at oneworld. Two main benefits are offered:

1. Soft-dollar benefits

- First, alliances **simplify the request for proposal (RFP) process** by providing a one-stop shop.
 - ▶ At the RFP stage, the potential client stipulates which carriers it would like to include, aiming to cover the majority of its consolidated air spend. The alliance

provides one main contact, which is often the airline considered most important for the client. Participating airlines then coordinate their response, either through a specific alliance management team (in the case of Star Alliance and oneworld) or through airline delegates (in the case of SkyTeam). This coordination can shorten the RFP process by three to five weeks.

- ▶ Alliances also coordinate the content of proposals. Alliance members frequently offer uniform contract terms and conditions. According to CWT observations, Star Alliance tends to set carrier-neutral targets—in other words, it enables the company to use several carriers per route to achieve volume thresholds. In addition, the airfare will be identical for all carriers on any given route. SkyTeam may also propose carrier-neutral targets, although this depends on the route and pricing among carriers may vary. oneworld, on the other hand, tends to propose only one carrier—and one price—per route.
- Once an agreement is signed, alliances can **streamline ongoing program management** by providing centralized fare loading and consolidated reporting. Quarterly performance reviews are also simplified when there is a single contact for all participating airlines.

2. Hard-dollar benefits

- Companies can realize **incremental savings** by leveraging overall volumes in their negotiations with alliances.
 - ▶ When companies consolidate their traffic data, they can identify larger volumes of existing business. Airlines tend to respond by offering lower prices to retain that business. They may also offer larger volume-based discounts in order to gain a larger market share, the aim being to “unseat” a carrier from outside the alliance.

On this basis, a major European bank negotiated an agreement with an alliance to cover flights from 10 countries. The company improved its up-front rebate slightly after presenting consolidated traffic data. At the same time, it secured a back-end rebate by committing to a volume of business across alliance members.

Are the benefits systematic?

Alliances do not always, however, offer the best deal. In fact, CWT estimates that concrete financial benefits are experienced by only half of all companies that sign up with alliances. In addition, companies may not receive proposals at all. There are several reasons why:

- **Alliances may not be able to bid jointly** for a company's business if they are not authorized to do so by regulators. Notably, the United States requires alliance partners to apply for, and obtain, immunity from anti-trust regulation, which enables

airlines to cooperate closely on their sales proposals (particularly with regard to pricing) without risking legal action.

- **Alliances may decide against making a proposal** if the company does not meet their criteria in terms of spend and geographical reach. Typically, alliances require significant spend on at least three member carriers or routes from three countries. They may also require companies to provide detailed point-of-sale data on a regular basis.
- **Specific airlines may choose not to participate** in the joint bid but make separate proposals outside the alliance. This typically occurs when alliance partners are in strong competition on a major route and want to secure market share through more robust individual bids.
- **Finally, companies may find that they do not have the right profile** to reap additional savings through an alliance contract and would be better off negotiating individual deals with airlines.



What are the prerequisites for negotiating effectively with alliances?

A company is most likely to benefit from an alliance deal when it has the following features:

- **A suitable traffic pattern.** Ideally, a company's main routes should match an alliance's network. Moreover, air spend should total at least US\$10 million since the benefits are likely to be greatest when high volumes can be spread over multiple alliance members.
- **A consolidated travel program.** Companies need to capture data and standardize travel policy and processes over the geographic scope covered by the alliance. Ideally, they would have the support of a single travel management company to do this.
- **A suitable sourcing strategy.** Alliance deals are most attractive when companies have a preferred partner sourcing strategy. They become less attractive when the travel program allows travelers to reserve tickets with alternative carriers on a best-buy basis.

How can companies maximize the benefits?

When companies have met these prerequisites, they can maximize the benefits by:

- **Carefully selecting airlines to include in alliance negotiations.** The carriers that offer the greatest savings potential may be those which currently account for the largest volumes and which have the strongest relationships with the company. It can be useful, however, to consider challenger airlines that tend to offer more aggressive prices.

- **Checking that the alliance is offering the most favorable rebates possible on a given route.** This is particularly important when the alliance proposes one rate per route across all members. For example, if airline A offers a 30 percent discount but airline B can offer only 25 percent, the alliance may wish to bring its rebate down to 25 percent. Companies should, therefore, compare the alliance offer with individual rates and consider negotiating independently with any member airline that can offer a better deal.
- **Ensuring strong support from country travel managers.** This is critical to ensure that the company can properly evaluate and compare the alliance proposal to conditions that could be obtained through separate negotiations with individual member airlines.
- **Reinforcing compliance with travel policy to ensure that market share targets are met.** Compliance can be promoted by negotiating additional benefits for travelers such as more frequent flyer points and access to allied members' business lounges, even for economy-class travelers.

In short, alliances represent one more way for travel managers to optimize their air spend, one of the eight key levers CWT has identified for effective travel management.¹ Simplified processes and greater savings are possible when companies have an appropriate profile and negotiate effectively with alliances. ■

¹ The eight levers of effective travel management are: provide the right services and assistance to travelers, and optimize transaction processing; tackle hotel spend in a disciplined and professional manner; continue to drive air and rail savings; optimize travel policy and improve program compliance; further consolidate travel programs; address security needs and corporate social responsibility; integrate meetings and events in the travel program to control and optimize the related spend; and develop executive dashboards and actionable performance measures.



On Track for Benefits: High-Speed Rail and Business Travel

How rail can help companies optimize their travel program.



Hervé Bellaïche

Director, Account Management
and Program Optimization, CWT France

Imagine a travel solution that is punctual more than 90 percent of the time and enables travelers to work comfortably. That same solution is best in class in terms of environmental friendliness and can also be significantly cheaper than other means of transportation. Welcome to high-speed rail.

In recent years, rail companies have upgraded their offering to appeal to business travelers and are now proposing attractive solutions on many intercity routes. Yet companies sometimes underestimate the value of rail in their travel program. This article looks at the evolving benefits of rail travel and suggests ways for travel managers to optimize a rail strategy.

Why choose high-speed rail?

Rail offers a long list of benefits for business travelers:

- **Fast.** High-speed rail can be the fastest solution for traveling between city centers. Although travelers generally spend more time on a train than on a plane to arrive at the same destination, their total door-to-door journey is often shorter. This takes into account the additional time required to reach outlying airports, go through security checks and board. (See the chart on Page 25.)
- **Convenient.** A 2006 survey by the University of the West of England, Bristol University and Lancaster University for Network Rail found that 96 percent of U.K. business people who work on the train believe their travel time is worthwhile. Individual work tables, meeting spaces, electrical power points, Wi-Fi and mobile connectivity all help create a productive working environment.

- **Seamless.** According to the International Air Rail Organization, air-rail links are now offered at 116 airports, mainly in Asia and Europe, while a further 250 “intermodal” air-rail connections are planned or under construction. These provide a direct, convenient way for travelers to reach their final destination, usually cutting down the time spent in transit.
- **Frequent.** Intercity rail links run frequently, sometimes several times per hour at peak times. For example, Thalys, a service provided jointly by the Belgian, Dutch, French and German railways, provides 25 daily departures from Brussels to Paris, while Eurostar currently offers 14 departures from Paris to London and 10 departures from London to Brussels.
- **Punctual.** Rail can also be the most reliable of all travel solutions. Unlike air or road transportation, it is largely unaffected by congestion and most inclement weather conditions. Recent figures reveal more than 90 percent punctuality (defined as being within 15 minutes of the scheduled time) on several high-speed lines, including routes operated by Eurostar, Belgium’s SNCB, Switzerland’s CCF and Spain’s AVE. In contrast, punctuality at London’s airports stands at approximately 70 percent, according to figures issued in 2007 by the U.K. Civil Aviation Authority.
- **Green.** The carbon cost of business travel is increasingly relevant to companies as they reinforce their corporate social responsibility initiatives and integrate a green policy into their travel program. As measured by the CWT carbon calculator (based on data from the U.K.-based environmental consultancy AEA Energy & Environment) rail services, including slower regional trains, produce on average five times less carbon than comparable car journeys, four times less than short-haul air travel and three times less than long-haul air travel.¹
- **Safe.** Rail has the best safety record of any mode of transport, according to the European Transport Safety Council. To further uphold safety standards, legislation passed by the European Commission in June will require all EU train drivers to hold a certificate based on their skills, qualifications and health starting in 2010.
- **Economic.** High-speed rail can be significantly cheaper than air, especially for travel between city centers. (See the chart on Page 25.) When the cost of transportation to and from airports is taken into account, the difference can be more than 50 percent. For example, a round-trip Paris-Strasbourg ticket costs approximately €130 (US\$180) by rail, compared to approximately €300 (US\$414) by air, including an average taxi fare.

¹ Short-haul (vs. long-haul) is defined as distances under 966 kilometers (600 miles).

High-speed rail provides a viable alternative to air on many intercity routes

| Routes with air-rail competition | Duration of rail travel | Duration of flight | Approx. duration of travel to and from airport | Average rail ticket price (US\$) * | Average air ticket price (US\$) * | Price difference of rail vs. air | Rail market share** |
|----------------------------------|-------------------------|--------------------|--|------------------------------------|-----------------------------------|----------------------------------|---------------------|
| Paris - Lyon | 1:55 | 1:05 | 1:20 | 100 | 494 | -80% | 94% |
| Amsterdam - Brussels | 2:40 | 0:50 | 1:00 | 151 | 476 | -68% | 72% |
| London - Paris | 2:35 | 1:10 | 1:40 | 605 | 591 | +2% | 56% |
| London - Brussels | 2:20 | 1:00 | 1:10 | 559 | 393 | +42% | 40% |
| Geneva - Paris | 3:34 | 1:10 | 1:20 | 242 | 580 | -58% | 16% |
| Amsterdam - Paris | 4:12 | 1:15 | 1:30 | 306 | 693 | -56% | 8% |

Source: CWT Travel Management Institute

* First semester 2007. Average air ticket prices include taxes but exclude taxi fares to and from the airport.

** Rail market share is expressed as a percentage of total travel transactions.

A better, faster network

High-speed rail services are continuously upgraded, offering more routes and faster travel times, especially in Europe and Asia. According to the International Union of Railways, the world's high-speed network currently covers 7,300 kilometers (4,530 miles). Europe accounts for 70 percent of the network, with 5,200 kilometers or 3,230 miles—the Continent's high-speed network will increase 15.4 percent by 2010— while Asia accounts for 20 percent. Africa, the United States and Canada account for the remaining 10 percent.

Examples of recent and upcoming developments include the following:

- In June, the **TGV East** opened up connections between 20 French cities and 12 destinations in Germany, Luxembourg and Switzerland. Running at a record speed of up to 320 km/h (199 mph), the service is slated to extend to Bratislava, Slovakia, by 2015.
- In November, **Eurostar** will cut travel time by 20 minutes by transferring to a new London terminal, St. Pancras International. Travel from London to Paris will take only 2 hours 15 minutes. Travel times to Amsterdam, Brussels and Lille will also drop.
- By the end of 2007, travel time on the **Madrid-Barcelona** route will be cut from 4 hours 30 minutes to just under 4 hours. By the end of 2008, the same journey could take 2 hours 30 minutes, thanks to high-speed service along the entire route. Improvements will be made on other Spanish routes as well.
- In 2008, Thalys plans to introduce high-speed service on its **Brussels-Amsterdam** route, cutting an hour from the travel time to 1 hour 30 minutes.

High-speed developments in Europe (2010-2020)



| | | | |
|----------------|---|--|---|
| NEW LINES | — ≥ 250 km/h | — < 250 km/h | — Planned lines |
| UPGRADED LINES | — ≤ 230 km/h | — ≤ 200 km/h | — Planned lines |

0 500 km (310 miles)

Source: International Union of Railways, 2006

- By 2010, the **Beijing-Shanghai** service will be 60 percent faster, taking 4 hours instead of the current 9 hours.
- Also by 2010, high-speed services in **Korea** will extend beyond the current Seoul-Daegu line to add Daegu-Pusan (1 hour 40 minutes) and Seoul-Pusan (under 2 hours 40 minutes).
- By 2015, four new high-speed lines will be in service in **Japan**: Hachinohe-Shin-Aomori (in 2011), Hakata-Shin-Yatsushiro (in 2011), Nagano-Kanazawa (in 2015) and Aomori-Shin-Hakodate (in 2015).
- In **Africa**, a number of projects are under development, mainly in Algeria (Alger-Tlemcen in 2010) and Morocco (Casablanca-Marrakech, Marrakech-Agadir and Casablanca-Tanger by 2015).
- In **India**, the government has announced plans for the country's first high-speed rail line, connecting the state capital of Andhra Pradesh, Hyderabad, with Machilipatnam.
- In the **United States**, a new high-speed service could connect San Francisco and Los Angeles in 2 hours 30 minutes, although the project is still under discussion after more than 10 years. Currently, the country has only one major high-speed train line, the Amtrak Acela Express (Boston-New York-Philadelphia-Washington).

More good news

- **Alliance services.** Another important development is the launch of the first rail alliance, Railteam, in July 2007. National rail companies in Austria (OBB), Belgium (SNCB), France (SNCF), Germany (Deutsche Bahn), the Netherlands (NS) and Switzerland (CFF) have joined forces to improve service for travelers. Like air alliances, Railteam will link up members' hubs to extend the number of destinations available. The partners also plan to coordinate their sales strategy with joint pricing and corporate contracts, as well as frequent traveler benefits and access to special business lounges.
- **Competitive pricing.** Rail companies are increasingly adopting pricing practices used in the airline industry. In particular, they have introduced yield management techniques to offer a wider choice of prices and service classes, depending on supply and demand at any given time. Notably, tickets booked in advance tend to be cheaper: on the Paris-Marseille route, for example, a round-trip ticket can be 66 percent cheaper when booked 60 days before the departure date, compared to on the day of travel. In addition, rail operators can offer significant corporate discounts on city pairs when they are in competition with airlines.
- **Improved distribution.** More rail content is now available through the major online booking tools, as well as through global distribution systems (GDSs). Sabre introduced Japanese Rail East content in May 2007, while Worldspan recently announced American, European and Japanese rail services. Amadeus has also integrated rail content from Europe, as well as Australia, Canada, India, New Zealand

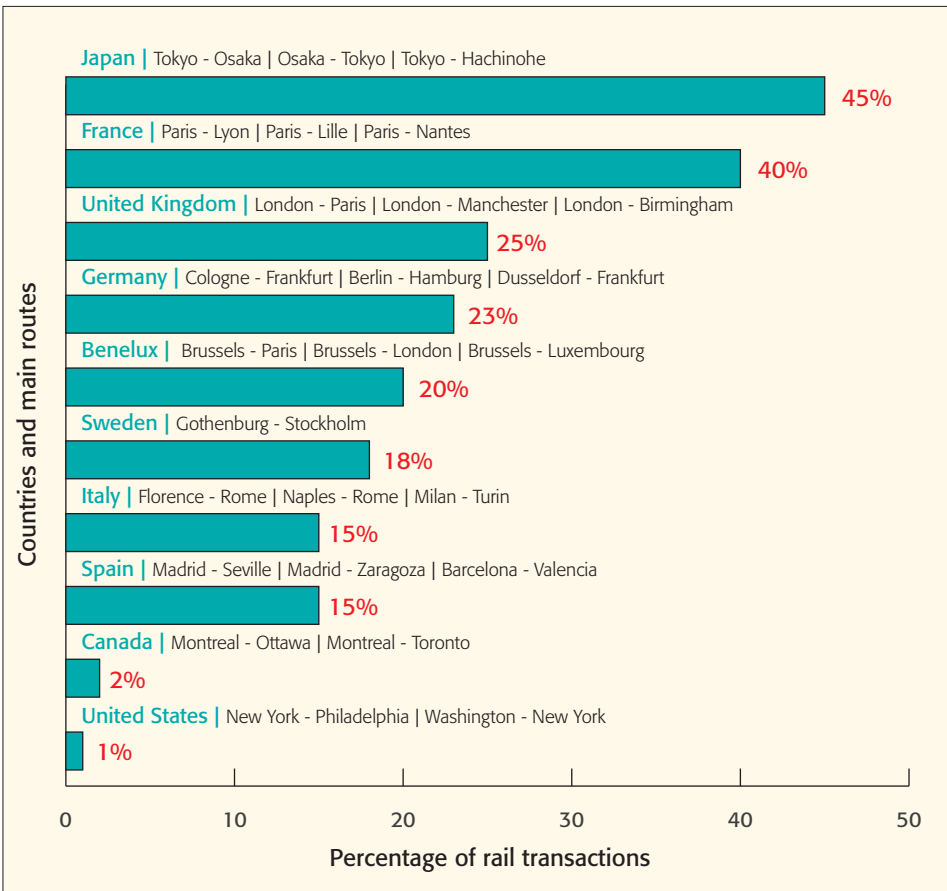
and the United States. Like airlines, rail providers are increasingly providing e-tickets to boost customer convenience.

Integrating rail into the travel program

Rail, both high-speed and “traditional,” accounts for a large share of business travel in many countries, especially in Asia and Europe. Japan ranks first worldwide with 45 percent of all business travel conducted by rail, closely followed by France (40 percent). Rail also commands double-digit market share in the United Kingdom (25 percent), Germany (23 percent), Benelux (20 percent), Sweden (18 percent), Italy and Spain (both 15 percent). These figures are in sharp contrast to the 1 percent to 2 percent observed in North America, where the high-speed network is far less developed. (See the graph below.)

On those routes where air and rail travel are possible, the share of each depends on the length of the journey. As the table on Page 29 shows, high-speed services have captured the highest market share when travel time is under three hours (from 50 percent to more than 90 percent in the examples shown). Rail is also more attractive for travelers who plan to stay at least one night at their destination.

Rail as a proportion of business travel transactions (air, rail and car)



Source: CWT client data (2006)

Share of rail in business travel based on length of trip

| Travel Time | Market Share |
|-------------|--------------|
| <2 hours | >90% |
| 2-3 hours | 50% |
| 3-6 hours | <30% |

Source: CWT Travel Management Institute

In view of the benefits and ongoing developments, companies would do well to consider whether they are making the most of rail within their travel program. CWT suggests a five-step approach:

1. **Identify the main routes where rail is an alternative to air**, looking at the number of daily departures and the duration of the trip. As seen earlier, rail could well be a convenient solution when travel time is under three hours, especially when an overnight stay is involved. When a trip is longer than three hours and/or involves a same-day return, air travel is likely to be more attractive.
2. **Define the company's current volume of rail traffic and estimate the potential increase** by switching from air to rail on specific routes. Companies may be able to negotiate more favorable rates when they present large volumes on routes where rail is in competition with air. The margin for negotiation is, however, generally low.
3. **Evaluate the savings potential** by comparing average ticket prices for rail and air and applying forecast volumes. The financial savings may be substantial: one CWT client recently shaved US\$2 million from its US\$18 million annual program in fewer than eight months. Companies should also consider the environmental benefits in terms of reduced carbon emissions.
4. **Update the travel policy to support a rail sourcing strategy and promote compliance** through mandates, internal communications and pre-trip approval processes.
5. **Keep an eye on developments in the market and regularly review the rail program** to ensure that the company benefits from new opportunities.

There are several good reasons for integrating a rail policy into a managed travel program. Cost, comfort and convenience rank high on the list. An impressive safety record and reduced carbon emissions are equally convincing. Getting your travel program on track means weighing the options, increasing rail volume where appropriate and communicating the benefits to wary travelers. Successfully doing so will pay off considerably. ■



Effective Risk Management: Safe, Not Sorry

Why companies need to proactively manage travel risks as part of overall risk management efforts.



Peter Brady

Vice President, Traveler and Transaction Services –
Global Product Management, CWT

Travel can be risky business. This is particularly true if security and risk management take a back seat in the travel program. For many organizations around the world, 9/11 demonstrated how unprepared they were to deal with events involving their business travelers. Soon after, security became a focal point for organizations and their travel managers.

Today, six years later, organizations run another risk: complacency. In the fast-changing world we live in, losing sight of the past and responding to short-term priorities is commonplace ... and potentially dangerous. Risk management of any kind is not just a question of effectively handling major disasters. Nor is it sporadic in nature. Successful risk management means continuously reducing the frequency and severity of incidents that can interrupt normal business operations, as well as limiting the costs associated with response, recovery, lost productivity and liability. Successfully managing the risks associated with business travel is no different.

Business travel is on the rise. In fact, many organizations have gone so far as to define business travel as "any time an employee leaves the office on official business domestically or internationally." This encompasses everything from a sales call in a neighboring town to a long-term expatriate assignment.

As the definition expands, so do the risks. Acts of terrorism, hotel fires, plane crashes, epidemic illnesses and natural disasters are the obvious culprits. Less obvious are the traffic accidents, unforeseen labor strikes, political tensions, unfamiliar local laws and customs requirements that can bring business to a costly standstill.

Many organizations today still react to incidents as they happen. It is imperative that they begin to define and implement effective risk-mitigating procedures that are continuously optimized. They must also teach their employees to use the systems and processes in place.

Managing travel-related risks

In world-class organizations, managing travel-related risks is an extension of an overall risk management effort and encompasses the same basic components:

- **Thorough planning is key.** Well-defined policies and procedures must be put in place to cut down on risk, avoid improvised responses and reduce liability. With regard to travel, this could mean limiting the number of employees on the same flight, banning hotels in high-crime areas or implementing pre-planned evacuation measures in the event of a serious emergency. Employees at all levels of the organization—including the traveler and the travel booker, as well as the travel counselor at the point of sale—must always have the most up-to-date information at their fingertips.
- **Identifying the threats and hazards associated with each travel itinerary and assessing their degree of severity is the next step.** Defining worst-case scenarios will help organizations set acceptable levels of risk for the group as a whole and the individual traveler, and enable them to prepare more effective response plans in the event of an emergency.
- **Implementing risk mitigation strategies goes a long way in helping organizations and their travelers reduce risk and respond effectively to an emergency or crisis.** The most effective measures include pre-trip traveler briefings for high-risk destinations, well-designed emergency plans and processes, targeted training in executive protection, continuously updated crisis management plans and 24/7/365 traveler tracking.
- **Around-the-clock monitoring of world events and breakdowns in risk-mitigation strategies will help organizations keep travelers better informed and protected.** To that end, formal notification processes must be in place day and night to handle the emergencies travelers may encounter. Travelers must also have access to a 24/7/365 helpline for information and assistance.

Even the best risk management programs can be improved. Consequently, feedback is needed after every crisis or emergency. Organizations must determine if the situation could have been avoided in the first place and/or better handled. If so, policies, plans, mitigation strategies and procedures must be reevaluated and modified accordingly.

A coordinated effort

Implementing a travel risk management program may seem daunting. It is important to remember, however, that a successful program is the coordinated effort of multi-disciplinary experts in travel management, human resources, the legal department, risk management, medical services and IT. Each of these professionals must have access to the same, constantly updated information, including employee profiles, contact information, travel itineraries, threat and destination intelligence, and emergency response procedures.

Travel management companies and risk management firms play a vital role in helping organizations enhance traveler security. They can provide pre-trip destination intelligence, 24/7/365 traveler alerts, round-the-clock traveler tracking, emergency services and employee training. In addition, they can help organizations benchmark and assess the maturity of their travel risk management program, identify areas for improvement and help them continuously optimize their results.

Business travel is essential to the growth and development of organizations around the world, albeit a world filled with risk. As a result, no one can afford to stay at home... or passively stand by, waiting for the sky to fall. More than ever, proactive, thoughtful measures are required to protect business travelers, optimize their productivity on the road, reduce an organization's liability and ultimately boost the bottom line. Being safe is certainly better for business than being sorry. ■

Corporate duty of care

Implementing a proactive travel risk management program can be a lifesaver both for individual employees and the organization as a whole. This summer, a Corporate Manslaughter and Corporate Homicide Bill went through Parliament in the United Kingdom and is now awaiting Royal Assent before its introduction next year. Nothing precludes other governments from considering similar legislation.

Under the bill, an organization may be found guilty, and liable as a whole, of corporate manslaughter if senior management is found guilty of playing a significant role in the decision, management or organization of the activity that causes an individual's death within the U.K. and amounts to a gross breach of a relevant "duty of care." The maximum penalty is an unlimited fine.

Duty of care is defined as the legal responsibility of an organization to do everything "reasonably practical" to protect the health and safety of employees. Companies and organizations must provide a safe work environment (including the hotels and airlines an organization uses), inform and instruct employees of potential hazards (e.g., high-risk destinations), and disseminate health and safety advice.



Watch Out: Rate Squatters About!

Regular GDS hotel rate audits can help companies better manage the risk of "rate squatting" and its impact on their travel program.



Richard Verreault

Manager, Hotel Distribution and Sales Development, CWT

Hotel rate audits have typically focused on ensuring that preferred properties have correctly loaded their clients' negotiated rates into a global distribution system (GDS). Increasingly, however, travel managers and their travel management companies are looking out for GDS "rate squatting" and seeking ways to manage this risk to compliance and savings.

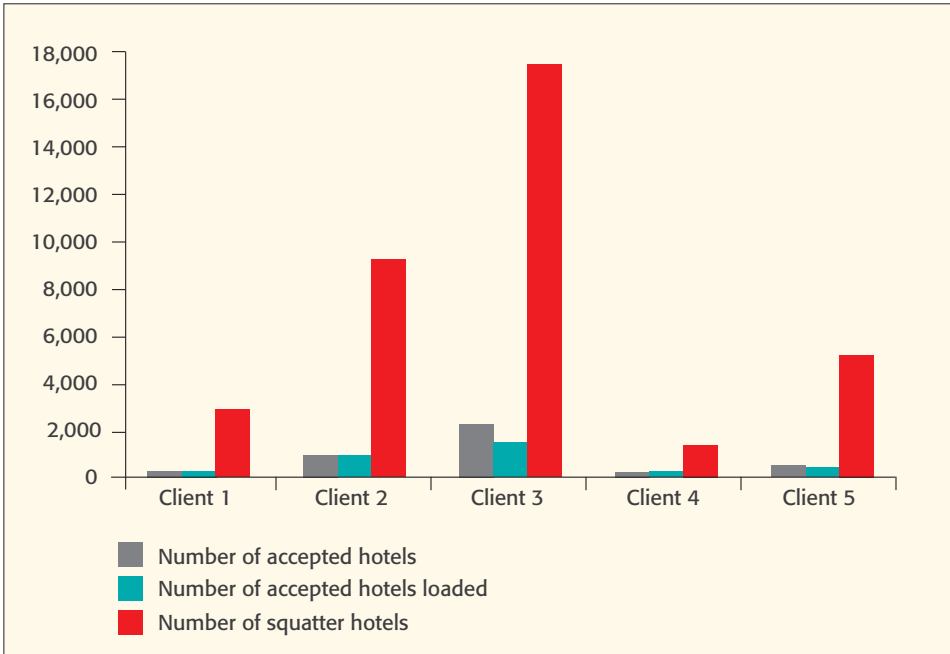
A real risk to travel programs

Hotels control the process of providing content to GDSs, which makes rate squatting a common occurrence. Rate squatting, as the name suggests, takes place when a hotel occupies GDS space intended for a company's preferred suppliers without the company's consent. Technically, this is possible whenever a hotel has a company's rate-loading codes. Rate squatting occurs, for example, every time a property uploads rates before it actually signs an agreement with the company. Other examples include a hotel uploading rates after an agreement has expired or a chain using the preferred provider code to integrate individual properties that are not included in the overall contract with the company.

Because "squatters" load rates using the same code as a company's preferred hotels (see the sidebar on Page 37), the GDS display does not distinguish between squatter rates and preferred partner rates. This can dilute a company's preferred hotel program, eroding compliance and savings.

The results of rate squatting audits can be astounding. For example, a mini survey of five CWT Hotel Solutions clients found approximately 11 squatting hotels for every "legitimate" hotel displayed in the GDS, as shown in the graph on Page 36. Twelve percent of the hotels in the companies' travel program, however, had not yet loaded their rates at the time of the audit. If they had done so, the ratio would still have been eight squatting hotels for each accepted hotel.

A mini survey of five CWT clients found on average 10.7 squatter hotels for every “legitimate” hotel displayed in the GDS



Source: CWT Travel Management Institute

The same survey also found that most squatter prices are higher than preferred partner rates. Squatter rates often represent best available rates or standard corporate rates, which can be 25 percent more than the average negotiated rate. Given that each hotel publishes a range of prices, the survey found a total of 65 squatter rates for every negotiated rate.

Measures to protect against squatting

Faced with this challenge, companies can help minimize hotel rate squatting and its impact on their travel program by using the following tactics:

- **Conduct regular audits** to identify squatters, monitor progress and provide all of the facts when negotiating with suppliers. (See the sidebar on Page 37.)
- **Communicate with properties and account managers** assigned to clients to underscore the importance of rectifying incorrect GDS information as quickly as possible to minimize negative impact to the travel program.
- **Integrate clear GDS rate-loading instructions into the request for proposal and contract process** and ask hotels to refrain from pre-loading hotel rates before receiving acceptance notifications from the company.
- **Maintain an ongoing relationship with preferred hotel chains** to help eliminate squatter rates.

- **Reinforce travelers' and travel arrangers' awareness of the travel policy and preferred hotels program**, and take action to reinforce compliance. One solution is to provide electronic directories of approved hotels.
- **Use an online booking tool with a filtering capability** that prevents non-preferred hotels from being displayed. Agents can also use tools that filter information. To that end, *CWT HARP*, a centralized database, highlights hotels that a company has selected for its program.

While hotels remain in control of the GDS rate-loading process, travel managers find that a little vigilance can go a long way in minimizing the impact squatter rates can have on the bottom line. ■

Rate loading and auditing: two critical processes

Rate loading is one of the critical steps in managing a successful hotel program, along with rate auditing. It is also one of the least understood.

The **rate-loading process** begins once a hotel program has been finalized. Normally, the travel management company (TMC) sends a confirmation of acceptance to the hotel, along with rate-loading instructions and a target date for completion. Included in the instructions is a list of codes which must be used to load negotiated rates. These correspond to the TMC's implants and business travel centers that will be making reservations for the client. At the same time, the account manager assigned to the client sends full details of the hotel program to the subject matter experts working at the TMC who will oversee and audit the rate-loading process. It is imperative for this information to be complete and accurate.

The **auditing process** ideally begins as soon as the deadline for hotels to load rates has passed. It is typically carried out once a year and in several stages. In an initial audit, the TMC checks that the negotiated rate for each hotel is displayed on all global distribution systems (GDSs). When this is complete, the account manager or audit team contacts all hotels that have not loaded rates correctly. Correct rate-loading information is resent and a new target date is set. Once the new deadline has passed, a follow-up audit takes place. This usually eliminates 85 percent of errors. In some cases, this process is carried out three or four times until 99 percent of errors have been rectified.

Audits can reveal an error rate ranging from 20 percent to 80 percent, but typically averaging 35 percent. In addition to squatter rates, problems include negotiated rates not being loaded on time, not loaded correctly (i.e., the wrong rate) or not loaded at all. As rate loading is ultimately in the hands of hotels, audits continue to play a key role in reducing errors.



A Strong Case for Advance-Purchase Airfares

A CWT study of the company's top 100 clients in North America confirms that advance purchasing consistently brings savings on airfares, even when the cost of exchanging tickets is taken into account.



Joe Blankush

CWT Solutions Group North America

Conventional wisdom holds that the further in advance a flight is booked, the cheaper it will be. While airline pricing is notoriously complex, the most attractively priced tickets are generally available on a "first-come, first-served" basis.

The case for advance purchasing, however, must take into account the cost of exchanging a ticket when travel plans change. Some companies that mandate seven- or 14-day advance purchasing achieve high levels of compliance. But at the same time, they may observe a large proportion of ticket exchanges.

The key questions for travel managers are therefore:

- How much can companies save by purchasing in advance?
- How far in advance should travelers book? Is there a limit?
- What proportion of advance-purchase tickets can companies exchange without wiping out savings?
- How can companies maximize savings from advance purchasing?

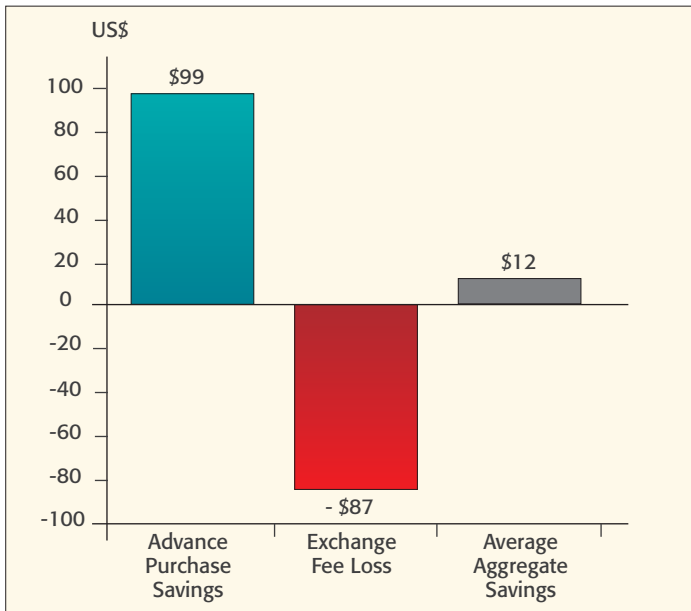
To answer these questions, CWT conducted a study involving its 100 largest clients by annual air volume in 2006 in North America. The results indicate that advance purchasing remains an important cost-saving initiative.

The first finding was that **booking in advance nearly always leads to lower ticket prices**. Ninety-nine percent of the clients in the sample paid a lower average segment price on domestic airfares when purchasing at least seven days in advance, compared to six days or fewer before departure. On average, this generated immediate savings of US\$99 per segment or 31 percent.

Second, **there is a limit as to how far in advance a company should purchase tickets.** Earlier than four to five months in advance, airlines typically only offer medium inventory classes, not the lowest fares. In the CWT study, one client paid US\$22 more per segment by booking more than four months in advance instead of between four months and three weeks before departure. Nevertheless, the average segment price was still US\$137 lower than for bookings made less than a week in advance.

A third major finding was that **the cost of exchanging advance-purchase tickets does not cancel out all of the up-front savings.** When the fees for exchanging tickets and any differences in price were spread across all tickets bought in advance, the cost was US\$87 per segment. This left companies with average savings of US\$12 per segment or 4 percent.

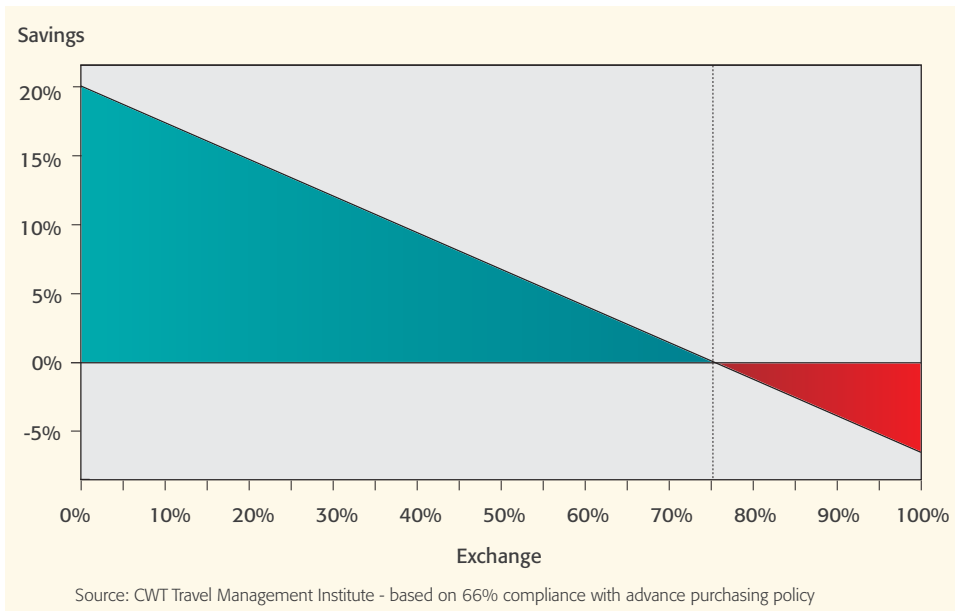
Average savings and loss per segment through advance purchasing



Source: CWT Travel Management Institute

Fourth, it appears that **companies can still make net savings when they exchange up to 76 percent of advance-purchase tickets** and deduct the associated costs from up-front savings. This is illustrated in the following chart, which shows the average savings or loss a company can achieve when different percentages of tickets are exchanged. Calculations assumed a 66 percent level of compliance with a seven-day advance booking policy (the average level observed in the CWT study).

Advance purchasing brings savings when no more than 76% of tickets are exchanged



Finally, **the likelihood of companies incurring a loss from advance booking is slim.** In the CWT study, companies exchanged on average only 12.9 percent of advance-purchase tickets—far from the 76 percent threshold.

These numbers confirm that organizations should continue to promote advance purchasing as a driver of incremental savings. The following actions can help travel managers boost advance purchasing:

- **Communicate on advance purchasing** to ensure travelers are aware of the advantages. They may not realize that the benefits of more people across the company booking in advance outweigh the risks of individuals paying an exchange fee.
- **Implement an advance booking policy**, integrating practical measures to accelerate booking once a decision to travel has been made. For example, a travel policy may require employees to send pre-trip approval for a flight within 48 hours of making a decision to travel. In addition, the policy could stipulate a timeframe for confirming a flight once approval is received.
- **Analyze fares and traveler booking behavior** to identify specific savings opportunities, as these may be particularly significant on certain routes.
- **Monitor advance purchasing and last-minute bookings** and consider incentives and/or sanctions to boost compliance.

Although last-minute travel will always occur, companies can promote advance purchasing as a way to drive significant savings. A policy that advocates booking at least seven days in advance can bring results, even when exchange costs are factored in. ■



Airline pricing and advance booking

Why do companies generally get cheaper deals when they book in advance? It is because they have access to a wider range of booking classes and can pick the price/flexibility tradeoff that best suits their requirements.

Airline pricing or “yield management” works by a system of “nesting” or booking classes which open and close with demand. (See the chart on page 43.) For each service class—typically first, business and economy—numerous booking classes or “fare buckets” exist. These vary in price and conditions and may determine whether the ticket is completely refundable, exchangeable for a fee or non-refundable; whether a weekend stay is required; or if there is a need to book one or two weeks in advance.

As a general rule, the lower the price, the greater the restrictions. For example, at the time of press, one airline’s cheapest, most restrictive economy fare was US\$1,479 less than the most expensive economy fare.

Although each airline has its own policy, usually the lowest-priced booking classes are more readily available early on. Airlines may re-open fare buckets to boost sales if they fall below forecasts or in response to price-cutting in the market.

Service classes vs. booking classes (based on North American practices)

| Service classes | IATA booking classes | Common airline booking classes |
|-----------------|---|--------------------------------|
| First | First class premium → P First class → F First class discounted → A | |
| Business | Business class Premium → J Business class → C Business class discounted → D, I, Z | |
| Economy | Economy class Premium → Y Economy class discounted → B, M, H, K, L, N, Q, T, V, S | |

“A Wake-Up Call for Us All”

Mike Hall, Manager, Global Travel Services at Johnson Controls Inc., shares his experience of “greening” a travel program and explains why companies need to get smarter.



CWT Vision: You recently won the first-ever Association of Corporate Travel Executives (ACTE) award for Corporate Social Responsibility (CSR). What made your work stand out?

Mike Hall: Honestly, if what I’m doing is industry-leading, then we’re in trouble! Travel is the fastest-growing industry in the world, but it has done very little in terms of environmental protection. This award is a wake-up call for us all.

CWT Vision: How have you integrated environmental protection measures into your travel program?

Mike Hall: We have done this gradually. The environment is only a small part of Johnson Controls’s overall CSR picture. When I started at the company in 1998, corporate social responsibility was mainly about diversifying our supplier base and selecting responsible providers. Then, about three years ago, we started including carbon emissions in our CSR report and fixed an objective of reducing the company’s total carbon emissions by 1.5 percent a year. To help achieve this, we aimed to reduce travel as a proportion of sales as the company grew.

One year later, we introduced diversity into our **hotel** program, trying to promote and source hotels with diverse ownership in certain areas. We then integrated green questions into our request for proposals. For example, we now ask what percentage of renewable energy the hotels use, whether they recycle, and so on.

We also introduced a policy promoting **rail** instead of air in some markets, not just to reduce carbon emissions but to promote a more productive working environment. To help encourage this, we authorized first class rail travel in Europe. In **air**, we introduced a liberal policy with regard to direct flights.

More recently, we have been talking to **rental car companies** about trying to guarantee mileage per gallon, but the associated costs are pretty high. Instead, our preferred provider is no longer allowed to upgrade our employees. That increases the number of miles per gallon and reduces carbon emissions, as well as expenses. In Europe, we’ve also tried to specify where we can get smaller cars. In the United States, we would like to take advantage of hybrid cars, but this is not yet possible. Although hybrids are the eighth best-selling car in the United States, they tend to be available for rental only in specific markets like San Francisco, which we do not travel to.

CWT Vision: What about carbon calculating and offsetting?

Mike Hall: For the last nine months I have been focusing on getting more accurate carbon measures. **Standards** are improving but we still have a way to go. For example, I surveyed a lot of hotels earlier this year. Not one could answer all of my questions, but some properties sent other information that I had not considered. They all have different approaches: some go as far as using renewable woods for furniture, while many companies are focusing more on the impact of their properties on the surrounding landscape.

We are also working with IT to get more granular **data on carbon emissions** and integrate it into our **pre-trip authorization tool**. Consequently, not only will the cost of a trip be indicated, but the carbon emissions as well. At the same time, we are trying to take carbon emissions into account in our meetings program. For instance, one of the routes used in our sales incentive program is our second most polluting, so we are trying to get planners to think about other destinations.

Johnson Controls manages **offsetting** at a company level and we have pledged to become a carbon-neutral company in four years. We consider offsetting as the last option in an environmental policy. Our approach is to eliminate or reduce carbon emissions wherever possible.

CWT Vision: What do you consider the keys to success for “going green”?

Mike Hall: First, **accurate, measurable standards** that can be used year on year. Before you can bring down emissions, you need to measure them and understand what leverage you have—such data is a compelling reason to consolidate a travel program. In hotels, for example, I would like to see kilowatt hours per room per night. It’s at least worth asking hotels if they can provide this, to get them to start thinking about it. For the moment, a lot of measures are subjective: how do you define a “low-flow” showerhead? For air, it would be good to have calculations per type of plane. We could also start comparing airlines that are flying the same types of planes, by looking at the way the seats are arranged or the type of auxiliary power system they’re using—all-electric systems generate fewer emissions. We can expect to see this kind of information soon.

Another key to success is **management support**: you need to have a culture that promotes CSR. Unfortunately, a lot of companies still see global warming as a hoax.

You also need a good way to **raise visibility**—we’re working on that now. If you ask travelers how much carbon they generate, probably 90 percent won’t know. Increasing their awareness would go a long way. That’s why we’re developing training and communications on carbon emissions. For example, we have an **online carbon calculator** to measure emissions pre-trip and indicate transportation alternatives to reduce them. This kind of tool is mainstream in Europe but is just starting to catch on in the United States.

CWT Vision: Have you faced any challenges in promoting green travel within Johnson Controls and if so, how have you gotten around them?

Mike Hall: I get good support for initiatives, as the company takes a strong stance on CSR and has built it into the corporate culture.

Nonetheless, there were a few grumbles about our rental car policy because people thought smaller cars might be more dangerous in an accident. So we talked to our insurance people and they confirmed this isn't the case. **Facts and figures always help:** you need to have compelling reasons for people to do something.

CWT Vision: What do you see as the likely next steps for your green travel program?

Mike Hall: We've already reduced travel from 0.9 percent of revenues to under 0.6 percent. That doesn't seem like very much, but it means we've reduced carbon emissions by one-third and spend by US\$150 million. That's significant. So far, however, we've done this in a rather haphazard manner. We need to get smarter.

Currently I'm asking about how we can **better manage or even reduce internal meetings** to decrease carbon emissions and spend. Over the next few months, we'd also like to implement a more sophisticated carbon calculator and then find a way of integrating it into the pre-trip approval process, as I mentioned.

More long term, I'd like our green program to become more specific. We need to look in more detail at why people travel and learn to be more intelligent about our decisions. In fact, as an industry, we need to study the return on investment of travel: what is the impact of face-to-face meetings compared with Web or phone meetings?

CWT Vision: How do you see sustainable travel evolving in the industry?

Mike Hall: Awareness is the most important issue to tackle. In the United States, people are still asking whether global warming is a fad. I don't think it is: other elements of corporate social responsibility have had a durable impact on business

If you can **raise awareness and drive dialogue**, you can change perceptions and behavior. Take fluorescent light bulbs, for example. Hotels are still reluctant to use them in the United States because they think customers don't like waiting for the lights to come on. Similarly, U.S. hotels have been slow to introduce key cards that activate the power in rooms because they think customers want the air conditioning to be on when they arrive. In Europe, both systems are now commonplace as perceptions and behavior have changed.

Europe is way ahead of the United States in terms of green policies. The fact that people are doing more at home will, however, drive change. I'm optimistic, even if we all have a long way to go. ■

Johnson Controls: "A More Comfortable, Safe and Sustainable World"

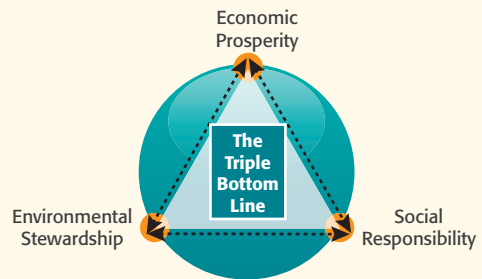


Energy efficiency has always been a key focus for Johnson Controls, Inc. The company was founded in 1885 by the inventor of the first electric room thermostat, Warren Seymour Johnson. Since then, Johnson Controls has developed a range of products and services that optimize energy use and improve comfort and safety in buildings and vehicles.

Johnson Controls has won numerous environmental awards, including the World Environmental Center's "Gold Medal for International Corporate Achievement in Sustainable Development" (2004), the Alliance to Save Energy's "Star of Energy Efficiency" (2003) and the U.S. Environmental Protection Agency's Energy Star "Partner of the Year" (2001). The company has been a member of the Dow Jones Sustainability World Index since 2005 and achieved a gold rating under the U.S. Green Building Council's new Leadership in Energy and Environmental Design (LEED) certification in 2004. In June 2007, Johnson Controls' Mike Hall was awarded the Association of Corporate Travel Executives's (ACTE) first Corporate Social Responsibility award.

The environment is just one aspect of Johnson Controls' corporate social responsibility program, which promotes the "triple bottom line" of sustainability: earning a profit while setting high standards of environmental and social performance.

The triple bottom line of sustainability



Johnson Controls, Inc. at a Glance

- A global leader in "automotive experience" (vehicle interiors and systems), products and services for building efficiency and power solutions
- 136,000 employees in more than 1,000 locations serving customers in 125 countries
- Headquarters in Milwaukee, Wisconsin, United States
- 2006 revenues: US\$32.2 billion
- Annual travel spend: US\$200 million, of which approximately US\$120 million are consolidated globally
- Chairman and CEO: John M. Barth

Planning Ahead to Protect People and Assets

An interview with Kathie Lia, Vice President, Travel Partnerships, iJET Intelligent Risk Systems.



iJET Intelligent Risk Systems is a leader in business resiliency with integrated intelligence, technology and emergency response services. The company works with more than 450 clients around the globe and has a preferred reseller agreement with CWT to provide enhanced safety and security services. In this interview, Kathie Lia, vice president, Travel Partnerships, explains the importance of travel risk management and the steps companies should take to effectively protect their travelers.

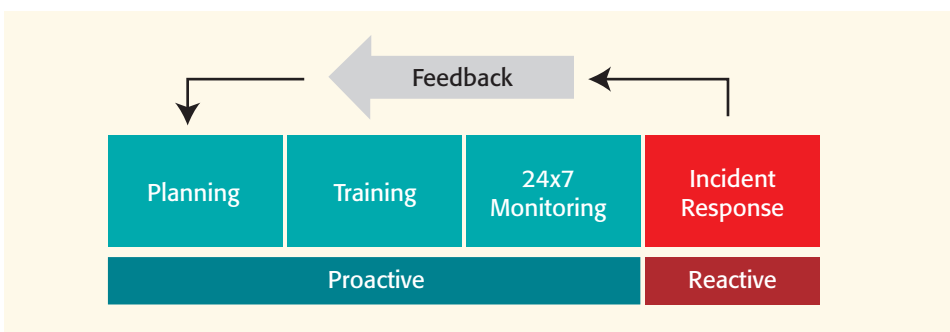
CWT Vision: Why do companies need a travel risk management program?

Kathie Lia: Companies have a **duty of care** or a legal obligation to do what is reasonably practical to protect the health and safety of their employees, both in the workplace and when they are traveling on business. To ensure travelers are kept as safe as possible, an effective travel risk management program is essential.

CWT Vision: What makes an effective travel risk management program?

Kathie Lia: A travel risk management program should combine two types of action: **proactive** (planning, training and monitoring) and **reactive** (execution of the Disaster Response Plan when an incident actually occurs). How well a company reacts to an incident is directly related to how well it has defined and implemented the proactive elements of the program.

Effective travel risk management combines proactive and reactive components



CWT Vision: What should organizations think about in the planning stage?

Kathie Lia: The first basic element is a **well-defined travel policy**, which should underline all measures related to traveler safety. For example, the policy should stipulate embargoed travel destinations (those that are considered too dangerous), mandate the use of preferred suppliers whose safety records have been carefully vetted and require pre-trip authorization.

It is also essential to **monitor program compliance**. Imagine a traveler who books an airline ticket outside of the managed travel program: if an incident occurs, it is much more difficult, and sometimes impossible, to locate him or her since the agency will have no record of the reservation. Non-compliance is not only dangerous to the traveler, it can be costly to the company, involving lawsuits, unnecessary insurance payments and a tarnished corporate image if the company responds poorly in an emergency or crisis.

The second element companies should think about is **destination information**. The traveler can pull information from a Website, but a more mature travel risk management program will push relevant information to the traveler based on his or her itinerary. This could include entry/exit procedures, health/immunization requirements and the level of security/risk in a given country.

Finally, planning also includes preparing and maintaining a corporate **Disaster Response Plan**. Travelers must know what to do in the event of an emergency. They need a number they can call for any type of incident, whether it is related to security, health, legal issues, inclement weather or natural disasters. And to ensure the plan is effective, it is important to periodically organize practice drills for employees.

This vast undertaking requires **close cooperation** between the travel management team and other experts throughout the company, including specialists in the legal department, human resources and security, as well as in-house medical professionals.

CWT Vision: What about training and monitoring?

Kathie Lia: Training is geared to three distinct groups. First, there are the **travel counselors** employed by the travel management company. Not only do they need to know your travel policy like the back of their hand, they must know how to enforce it at the point of sale. Second, **travelers** must be well-informed regarding the travel policy and know where to find important information about their destination to be better prepared and protected. Finally, the **crisis management team**, which brings together experts from a variety of departments, needs to be continuously updated and trained to effectively implement the Disaster Response Plan.

As for **monitoring**, it is critical that companies get all the data they need to understand the impact a particular location or disruptive situation could have on travelers. Many companies, therefore, monitor world events 24/7/365. **Tracking travelers** and being able to reach them immediately in an emergency is closely tied to fulfilling duty of care. Generally speaking, a company's travel management partner plays an important role in this effort.

CWT Vision: How can you be sure that the planned response process will run smoothly in the event of a crisis?

Kathie Lia: Making sure travelers know who to call in any type of crisis is a vital component of the Disaster Response Plan. Essential telephone numbers should be published, given to travelers on “wallet cards” and re-communicated on their itineraries. The more mature programs have a **single number** travelers can call for all emergencies. The call is then triaged and the traveler put in touch with the provider that can best assist in light of the situation.

CWT Vision: What, if anything, needs to be done once the crisis has passed?

Kathie Lia: After any incident, there should be a **feedback process** where the cross-functional response team meets to discuss what went well and identify the challenges they encountered. By addressing these challenges and incorporating new solutions into the Disaster Response Plan, companies can ensure an even better outcome the next time an emergency occurs. In a mature travel risk management program, feedback is often automated and organizations routinely collect information directly from travelers with regard to a particular destination. These programs also automatically record information surrounding an incident response.

CWT Vision: What role do suppliers play in a travel risk management program?

Kathie Lia: Implementing a mature travel risk management program requires expertise. Although companies can do a great deal on their own, they must enlist the help of third parties at some point. The **travel management company** can assist with policy compliance both at the point of sale and through reporting. It can also provide traveler tracking based on booking data that will help companies locate travelers in the event of an emergency. In turn, TMCs often work closely with **risk management specialists** who can provide the enhanced products and services—24/7/365 monitoring of world events and one-click access to monitor, locate and communicate with affected travelers—that help clients fulfill their duty of care.

It is also important for organizations to **benchmark** the maturity of their safety and security program. Here, TMCs and/or risk management specialists can provide data from other companies with similar travel spend in their sector.

CWT Vision: How much does it cost to implement a travel risk management program?

Kathie Lia: The most basic elements of a travel risk management program—a corporate travel policy, training and a Disaster Response Plan—are probably already covered in the company’s salaries and general administration costs. Other elements, such as basic traveler tracking, often fall within the contractual agreement companies have with their travel management company. Destination intelligence and travel alerts may also be included in the contract.

There may be extra costs for enhanced services, such as additional traveler tracking and the ability to push relevant information to travelers based on their specific itinerary. These services could mean an added per-ticket fee of between US\$1 and US\$3 depending on the company's overall travel volume. If you look at this charge relative to the cost of an international ticket (on average, more than US\$1,000), it comes to about **0.1 percent to 0.3 percent of the total cost of the ticket**. This is a pretty small price to pay for traveler security.

CWT Vision: In concrete terms, how do you measure return on investment in a travel risk management program?

Kathie Lia: Implementing a robust travel risk management program demonstrates that a company respects its duty of care to employees. Considering that one lawsuit could easily cost six to seven figures, this alone is solid proof of cost avoidance and return on investment. In addition, the company may pay lower insurance premiums.

On an everyday level, return on investment can be measured in time saved, increased productivity and quite possibly, new business. Take the traveler who receives an alert advising him of a political demonstration near the office where he is meeting an important prospect. Having advance notice would enable him to avoid time-consuming disruptions and make alternative arrangements. Finally, when travel managers outsource risk management programs and services to one or two suppliers, they have more time to bring added value through other dimensions of their travel program. ■

iJET Intelligent Risk Systems



iJET Intelligent Risk Systems helps multinational organizations to monitor, protect against and respond to global threats worldwide. Integrating open-source intelligence and patented technology, the company's award-winning Worldcue® solutions automate and centralize the information and processes needed to reduce risk, avoid unnecessary costs and achieve business resiliency.

iJET helps clients with three critical activities:

- Monitoring and assessing global threats relative to their key people, facilities and supply chain assets
- Automatically tracking and communicating with travelers and expatriates
- Deploying emergency response services throughout the world at a moment's notice

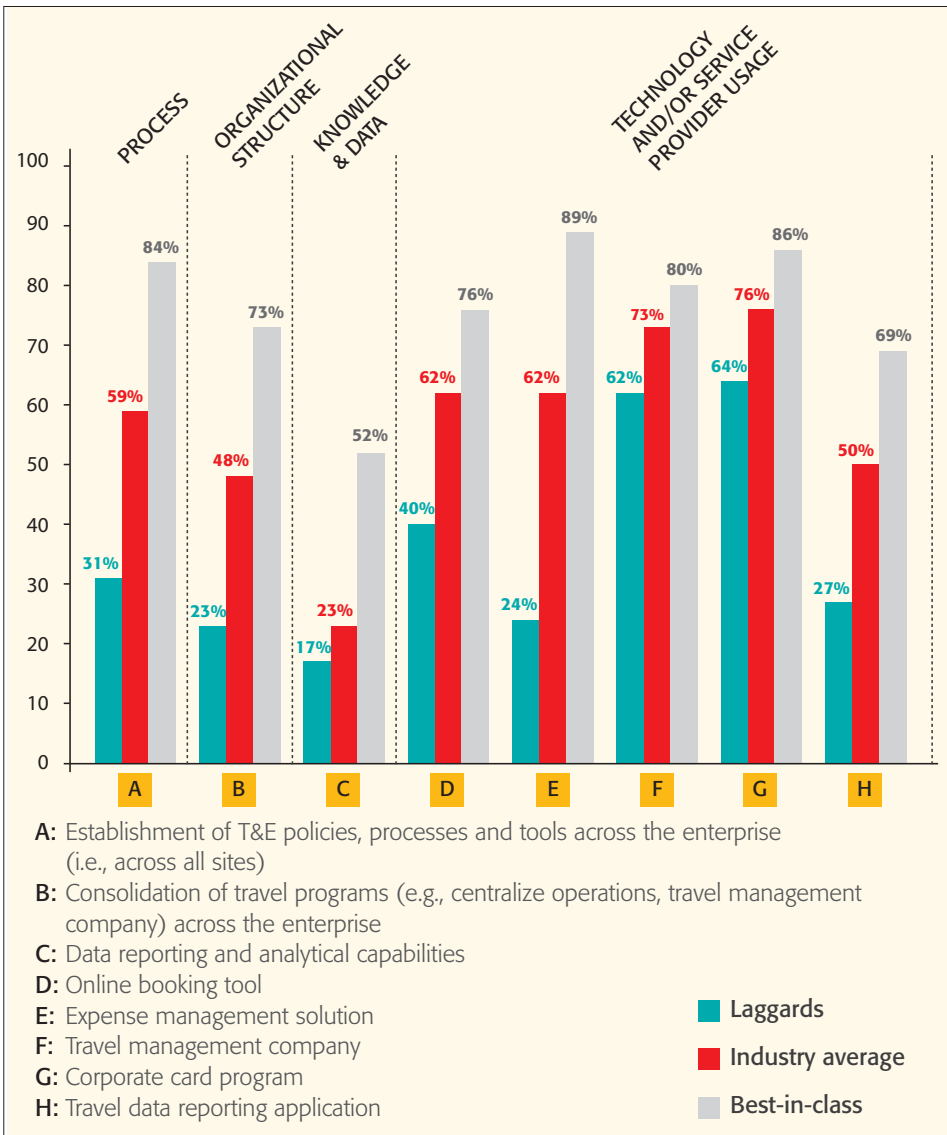
Headquartered in Annapolis, Maryland (United States), iJET has more than 50 intelligence analysts and subject matter experts deployed across five continents monitoring security, health, transportation, and other threats and disruptive incidents around the world, 24/7/365.

In Brief

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 **SNAPSHOT**

Best-in-Class Performers in Travel and Entertainment



Source: Source: Aberdeen Group, 2007

Eighty-four percent of *best-in-class* companies have established company-wide policies, processes and tools for travel and entertainment, while 73 percent have consolidated their travel program globally, according to a survey published in June this year by the Aberdeen Group, a U.S.-based consultancy, and CWT. Only 52 percent of these top performers, however, have specific data reporting and analytical capabilities.

The study, which involved 435 companies of all sizes from North America, Europe and Asia Pacific, explored strategies concerning online booking, corporate card programs, expense management solutions and travel management companies.

Best-in-class companies were defined as those obtaining the top 20 percent aggregate scores, compared with *Industry Average* companies (middle 50 percent) and *Laggards* (bottom 30 percent).

Data reporting and analytical capabilities had the lowest scores of any of the items measured, which is surprising, given that more than 85 percent of all respondents said data was *essential* or *important* for tracking compliance and monitoring spend, 77 percent for supplier negotiations, and 78 percent for updating or improving travel policies.

The Aberdeen Group commented that companies are looking for more dynamic tools to translate complex data and metrics into simple visual messages, while having access to a more detailed level of data. ■

Please visit www.carlsonwagonlit.com if you would like a complimentary copy of the Aberdeen Group research report *Travel & Entertainment Technologies and Services: Overcoming Obstacles Through Data Insight*.

 SOUNDBITE

“ *This is not Star Trek technology. This is technology that is well within our reach. We are talking to Boeing and Airbus. We are working with manufacturers to get this aircraft delivered in 2015. We are currently spending £4 billion [approximately US\$8 billion] on aircraft—they are listening to us. [...] We don’t see biofuels as being the big step forward. This is the big step forward and it’s at our fingertips.*

Today’s aircraft are typically 70 percent cleaner and 75 percent quieter than their 1960s counterparts. Now we are planning the next generation that will help towards taking the plane out of the emissions equation. **”**

— easyJet chief executive officer Andy Harrison, commenting on the company’s “easyJet ecoJet,” an environmentally friendly, short-haul aircraft, a prototype of which was displayed at the Paris Air Show in June.



According to easyJet, by 2015 airplanes could produce 50 percent fewer carbon emissions and 75 percent less nitrogen oxide (NOx), another greenhouse gas. They would also be 25 percent quieter. These reductions would come from improved engine design and lighter airframes, as well as better air traffic control technology and design. A key feature would be the “open-rotor” engines (pictured above), lightweight carbon fiber fuselage and wings, and a wing designed for lower speed and shorter range than current aircraft.

At the same time, the European Commission set goals for airplane manufacturers to cut their carbon emissions by 40 percent, their NOx emissions by 60 percent and noise by 50 percent by 2015.

Both Airbus and Boeing are working on replacements for their A320 and 737 families of short-haul jets.



INDUSTRY NEWS HIGHLIGHTS

Regulation

■ In July, the European Commission expressed concern that U.S. plans to tighten laws on foreign ownership of airlines would undermine the “open skies” agreement signed in March this year. As of March 2008, U.S. and European carriers will be authorized to fly all transatlantic routes. U.S. carriers will also be able to compete on intra-European routes, although European carriers will not yet have the right to offer U.S. domestic flights. The European Commission has reserved the right to withdraw traffic rights if the United States does not open its domestic market to European airlines by 2010.

■ Several industry associations (including the Business Travel Coalition and International Airline Passengers Association) reported positive discussions with European officials on the **EU Code of Conduct for Computer Reservation Systems**, following a public consultation this spring. The associations appealed to the European Commission to maintain the core protections in current regulation, while removing GDS pricing rules and streamlining most of the Code. In July, however, the same and other groups expressed concern that the European Commission may no longer consider Air France, Lufthansa and Iberia

as “parent carriers” of Amadeus and will therefore remove rules intended to prevent abuse by the carriers and/or the GDS. A formal decision is expected later this year.

■ In June, European transport ministers announced that any airline operating flights to or within the European Union must participate in Europe’s **Emissions Trading Scheme**. The plan is based on one already in operation for other European industries that buy and sell credit to emit pre-defined amounts of carbon dioxide. The regulation would apply to European flights in 2011 and other international flights starting in 2012. Some European airlines welcomed the move, while several aviation associations claim that the scheme would cost airlines €45 billion (US\$ 59 billion) from 2011-2022 and that only a third of that could be passed on to customers. In addition, the United States attacked the plan as a violation of international aviation accords.



■ Also in June, the European Commission said airlines participating in code-sharing schemes would no longer be exempt from

competition rules when setting fares between the European Union and other nations. Instead of airlines enjoying anti-trust immunity when meeting to discuss fares, a computerized “Flex Fares” system will be used to calculate “fair value.”

■ The European Commission is also “considering” an electronic **traveler authorization scheme** that would require U.S. citizens coming to Europe to give notice of their travel plans at least 48 hours before departure. This is in response to a recent U.S. counter-terrorism bill that makes it necessary for travelers from the 26 countries in the **Visa Waiver Program**, including Britain, France, Germany and most other western European nations, to complete a questionnaire alerting authorities of their plans to visit the United States at least two days before their departure.

■ The U.S. Department of Transportation invited applications for new passenger **air service between the United States and China**. This follows an “open skies” deal negotiated in May to double the number of daily passenger flights between the two countries by 2012.

■ In July, the Belgian government relaxed “**Limosa**” regulations to ease

the burden on business travel. Advance registration before traveling to Belgium will no longer be required for professionals attending a scientific congress. Attendees of closed-circle meetings will also be exempt, providing that their participation does not exceed 60 days a year or more than 20 days per meeting.

■ In July, the European Parliament voted in favor of **new regulation** that will force airlines to compensate customers in the event of service failure, display tax-inclusive fares and give equal access to fares across Europe. To come into effect, these rules must be ratified by the European Council in October.

Airlines

■ The International Civil Aviation Organization (ICAO) reported that the airlines in its 190 member states collectively made a **net profit** of US\$2.71 billion in 2006, a turnaround on the estimated US\$4.13 billion losses in 2005. The organization attributed this growth largely to improved capacity management and airlines' flexibility in the face of higher fuel prices.

■ Meanwhile, the International Air Transport Association (IATA) **upgraded forecasts** for airline industry profits to just over US\$5 billion in 2007 and US\$9.6 billion in 2008.

■ IATA has postponed the deadline for 100 percent **e-ticketing** by five months to May 31, 2008. After this date, paper tickets will no longer be processed through its Billing and Settlement Plan, and non-compliant airlines are likely to drop out of the system.

■ The Center for Asia Pacific Aviation (CAPA) forecast that **low-cost carriers** will double their market share within five years to represent 25 percent of total seats in the region.

■ European and U.S. officials agreed to work together on reducing **aircraft noise and pollution** through joint research and compatible air traffic control systems. Jacques Barrot, European transport commissioner, and Marion Blakey, head of the Federal Aviation Administration, announced the agreement at the Paris Air Show in June.

■ The European Commission also approved a €1.6 billion (US\$2.2 billion) **"Clean Sky"** public-private program to develop green technologies for aviation. The research, due to begin next year, will receive €800 million (US\$1.1 billion) in EU subsidies.

■ Airbus received approval from the European Aviation Safety Agency for its **"OnAir" onboard mobile phone system**, the first of its kind in Europe. Air France-KLM, British Midland Airways, Ryanair and TAP Air Portugal were among the carriers who

signed up to test the technology on their flights. In another announcement, Airbus committed to halving its planes' carbon emissions by 2020.

Hotels

■ Growth in **extended stay accommodations** is nine times higher than for hotels overall, according to the Highland Group, a U.S.-based consultancy. If current trends continue, the supply of extended stay rooms could rise by more than 7 percent in 2007, the highest increase since 2001.

■ Meanwhile, the world's top 200 hotel groups have posted a **record turnover** of €230 billion (US\$317 billion), with 2.7 percent year-on-year growth—the highest ever recorded. According to Paris-based MGK Consulting, global revenue per available room (revPAR) increased by 9.4 percent in 2006, mainly driven by a 7.9 percent rise in rates.

Rail

■ In July, seven European high-speed rail operators launched **Railteam**, a new alliance aiming to provide seamless international rail travel through its members' points of sale. A specific Railteam online booking system will go live in 2009.



Global Distribution Systems

■ Amadeus and Galileo announced Web-based rail reservation tools.

Amadeus's RailAgent enables travel agents outside Europe to book high-speed and scenic train travel throughout Europe, as well as in Australia, Canada, India, New Zealand and the United States. Worldspan's Go Rail integrates American,

European and Japanese rail services.

■ **Amadeus** also signed a distribution agreement with British Airways at the end of May, two months after the carrier reached similar deals with other global distribution systems. Travel agents in the U.K. and Ireland will be able to access the full range of BA fares in return for an opt-in fee paid to Amadeus (£0.50 or £1 [US\$0.50 or US\$1] per

segment, depending on booking class).

■ **Galileo** signed a new full content agreement with Spanish carrier Iberia at the end of June. The GDS also announced it has no plans for integration if its parent company's acquisition of Worldspan is approved. Worldspan customers will, therefore, not have to migrate to the Galileo system. ■



NEWS FROM CWT

CWT Gains Majority Control of Indian Joint Venture

In July, Carlson Wagonlit Travel announced that it had acquired an additional 26 percent stake in its Indian joint venture from AFL Private Ltd. CWT now has majority control of the joint venture with a 76 percent ownership stake. AFL Private Ltd. will continue to be the remaining shareholder. This transaction underscores the growing commitment CWT has to India's corporate travel market and the importance of its operations in India, which serve a growing global client base, as well as a vast portfolio of leading Indian companies. Today, CWT is the market leader in India with 12 offices across 10 cities and more than 800 employees.

CWT Launches Ground Transportation Optimization Practice

Also in July, Carlson Wagonlit Travel announced the addition of ground

transportation to its repertoire of program optimization services. Ground transportation, which includes rental car, black car/limousine and rail, is often an under-addressed area of spend. It can account for as much as 10 percent of an organization's overall travel program costs in the United States and even more in areas of Europe and Asia Pacific, where rail is a significant mode of transportation. In addition, prices have steadily risen over the past several years and are forecasted to increase by 2-3 percent in 2007. These factors make ground transportation an increasingly important focus for corporations, who can leverage CWT expertise to evaluate existing spend, contracts, and practices; conduct negotiations; and drive significant savings.

Leading the ground transportation team is transport industry veteran Dave Kilduff, who joined

CWT in April as managing director of the new practice. He reports to Nick Vournakis, vice president, CWT Solutions Group – Americas.

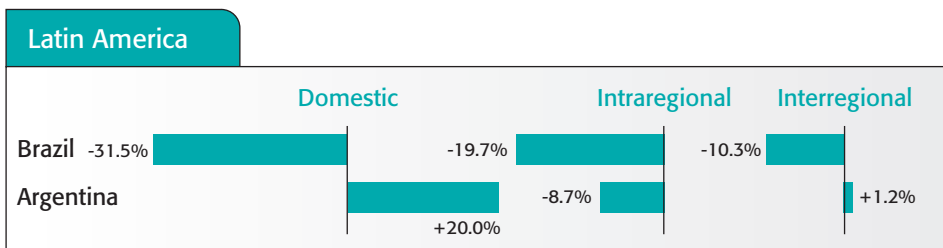
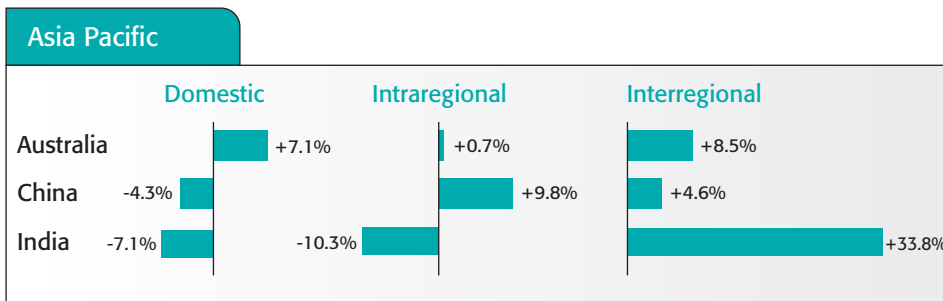
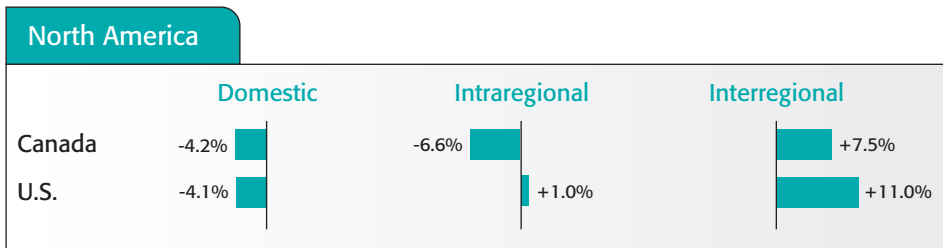
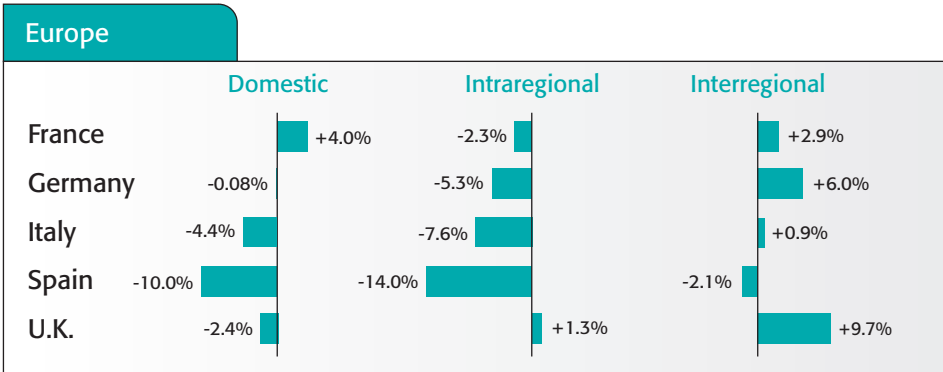
CWT Celebrates 10 Years

In June, Carlson Wagonlit Travel celebrated its 10th anniversary as a global company specialized in business travel management. Created in 1997 from the merger of Carlson Travel and Wagonlit Travel, the company has become an industry leader, present in all major markets and serving organizations of all kinds, from small and medium-size companies to Fortune 100 Global corporations and government institutions. Since 1997, the company has increased its footprint on all continents and its volume of business has grown from US\$8.74 billion to US\$20.5 billion in 2006. CWT now has close to 22,000 employees worldwide. ■

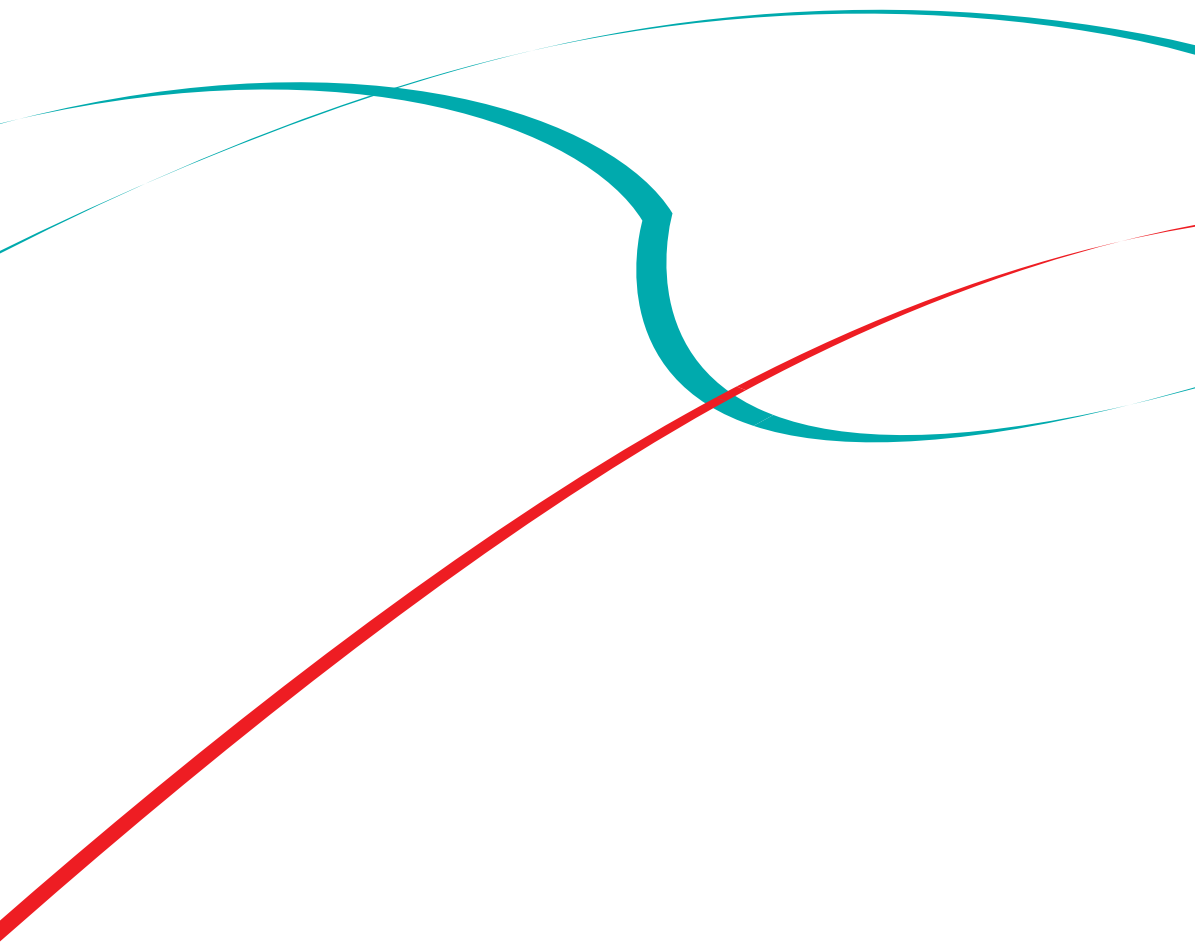
 INDICATORS

Evolution of average air ticket prices

Q2 2007 compared with Q2 2006.
Based on transaction data from CWT clients (%).



Source: CWT Travel Management Institute







Carlson
Wagonlit
Travel

A red, wavy underline graphic located beneath the word "Travel".