



## Airlines

### Airlines Collect \$22 Billion in Ancillary Fees

Airlines worldwide collected \$22.6 billion in ancillary fees last year, according to an Amadeus study conducted by IdeaWorks, up from \$21.5 billion a year earlier and \$13.2 billion in 2009. Six U.S. carriers were in the top ten. Among them: United Continental, collecting \$5 billion; Delta Air Lines, \$2.5 billion; and American Airlines, \$2 billion. Southwest Airlines made it to the top ten for the first time, collecting \$1.14 billion. These are fees for amenities and services that can include having a text about a flight sent to a mobile phone, early boarding, overhead storage space, inflight entertainment and more (Source: Amadeus press release).

### Southwest, Spirit Lose Court Challenge to Consumer Protection Rules

Spirit Airlines, Southwest Airlines and Allegiant Air lost their court challenge to portions of the Department of Transportation's consumer protection rules. The U.S. Court of Appeals for the D.C. Circuit upheld the requirements that airlines and anyone who sells airline tickets must publish the full price of an airline ticket, including all taxes and mandatory fees. It upheld the rules that airlines hold reservations without payment or penalty for 24 hours after the reservation is made and prohibited post-purchase baggage price increases. The rules were part of the DOT's April 2011 air passenger consumer protection rules. (Source: DOT press release).

### DOT Refuses Airlines Request for More Time on Disclosing Baggage Fees

The Department of Transportation denied an airline industry request for more time when it comes to programming airline systems to disclose baggage allowances and fees. The DOT adopted disclosure requirements last year, but delayed implementation until July 24. U.S. and international airlines had asked for another extension, citing the complexity of reprogramming their systems. The DOT is requiring airlines to tally up the fees and allowances for carry-on bags and checked bags on online receipts and e-ticket confirmations. And it is requiring airlines to make those allowances and fees the same on all legs of a multi-segment trip, including those that are code-share or multi-carrier flights. (Source: News reports).

### Airfares Go Up in First Quarter

Average domestic airfares rose to \$373 in the first quarter of 2012, up 4.8 percent from the average fare of \$356 in the first quarter of 2011, according to the U.S. Department of Transportation's latest figures. When not adjusted for inflation, these fares were at an all-time high for any quarter. The previous high was \$370 in the second quarter of 2011. The previous first quarter high was \$356 in 2011. When compared to the first quarter of 2000, fares were up 9.6 percent when not adjusted for inflation, compared to an overall increase of 34 percent in consumer prices for the same time period. Since 1995, airfares have risen 25.6 percent, compared to a 51.5 percent inflation rate. (Source: DOT)

### Aviation Continues to Work on Biofuel Development

The U.S. government continues to pursue its own biofuel strategy, cheered on by the airline industry. Airlines 4 America, the U.S. aviation trade group, said the U.S. Navy's "Great Green Fleet" demonstration last month would build momentum toward making aviation biofuel a reality. The Navy used biofuel and nuclear energy to power helicopters, jets, a cruiser and destroyers. The biofuels were 50-50 blends of waste cooking oil, algae and petroleum-based marine diesel or aviation fuel. These blends cost about \$15 a gallon, half of what they cost in 2009. (Source: A4A, Navy press releases)

## Hotels

### Leisure Travel Pushes Hotel Demand Up

Lodging demand will probably rise faster than originally forecast this year. Increased leisure travel spending during the first part of the year will probably continue and that will more than offset the slow growth in business travel. Smith Travel Research is forecasting that revenue per available room will rise between 5.5 and 6 percent; PKF Hospitality Research is forecasting an increase of as much as 6.6 percent next year. Demand is rising and there is little growth in new hotel development, which means hotels will discount much less than they have been. Another indicator of where hotel prices are going: Starwood Hotels & Resorts. Frits van Paasschen, Starwood's CEO, said during the company's recent quarterly earnings call that the company is poised to push rates up. (Source: news reports.)

### Hotel Books Drop in June, But Rates Will Increase

Hotel reservations booked through global distribution systems (GDSs), the booking systems through which most corporate travel flows, dropped 10.6 percent worldwide and 13 percent in North America, according to Pegasus Solutions, a hotel technology company. Pegasus said this probably reflects a seasonal dip in meetings business, not a travel cutback. It also reported that trip lengths are holding steady and not shrinking. At the same time, average rates paid for hotels booked through the GDSs rose 3 percent globally and 6 percent in North America. It expects rates to continue to increase through the third quarter. Pegasus said that it expects GDS hotel bookings to stay soft throughout the summer and then pick up in the fall. (Source: Pegasus press release).



## Spotlight On...

# *Eurozone Crisis and Business Travel*

*Economic uncertainty in Europe will dramatically slow the growth of business travel in the United States until the end of the year, according to the Global Business Travel Association's latest GBTA BTI. There's also continuing concern about the U.S. economy, including low job growth, falling consumer confidence and retail sales and slowing corporate profits, which have created significant headwinds for business travel. There is increasing evidence that businesses might be entering a holding pattern as they wait for the economy to stabilize. As a result, the GBTA has significantly downgraded its latest outlook for U.S.-initiated business travel. This is despite the higher prices and relatively strong demand that have led to solid growth in business travel spending in the last few quarters.*

- *Total business travel spending will grow just 2.2 percent to \$256.5 billion for 2012, a downgrade of 1.4 percent since last quarter*
- *Looking ahead to 2013, the GBTA expects a slight drop (.7 percent) to 435 million person trips*
- *However, it expects business travel spending for 2013 to grow 4.7 percent to \$268.5 billion*
- *It forecasts 3.6 percent growth in transient spending, 5.1 percent growth in group spending.*

*Source: GBTA press release*

*Springdale Travel is committed to providing you with useful information on the latest developments in the travel industry.*

*The above information has been compiled from a variety of sources and is updated monthly.*