

Business Travel Coalition

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The 2009 Global Travel Industry: A Crucible of Crisis

In a crucible of crisis, the global travel industry will fundamentally change in 2009 in response to seismic shifts under the surface of the global economy. Change on an economic macro level will be orders-of-magnitude greater than that which resulted from the U.S. savings and loan calamity of the 1980s, which cost taxpayers \$124 billion, or the Asian economic crisis of the 1990s, which gave rise to concerns of financial contagion. Today, we're in the throes of an economic meltdown that seems at best to promise a lengthy period of marketplace volatility and dramatic changes to worldwide travel demand. Previous projections about the dire financial state of the world's airlines may prove conservative and all travel and tourism industry stakeholders will be impacted accordingly. The time has never been more urgent for corporate travel buyers to get directly involved in shaping events that will impact our future.

With the knowledge that disruptive change is hurtling toward us, the industry must expedite its search for answers to questions about the impacts, for example, to corporate travel programs from accelerated competitor consolidation in several travel industry segments. Likewise, we must "look around the corner" and seek to identify those problems that could surprise the industry in irreparably damaging ways; e.g., in difficult economic times, travel and tourism is always an easy target for unfair and unbalanced taxation schemes.

Corporate buyers in particular must guard their hard-won "seat-at-the-table" to protect their interests as travel industry pricing models, distribution system choices, service levels and safety and security programs are all "rationalized" vis-à-vis a new economic reality. Buyers should not inadvertently give up the influence they have worked for at the industry and government levels in recent years. As sure as the sun rises in the east, some opportunistic industry participants will look to disproportionately transfer to the corporate customer additional direct costs, as well as indirect costs from incoherent changes to policies, practices and processes. If you do not have a seat at the table, you're probably on the menu!

I would like to share with you three strategic issues that BTC is engaging in advance of 2009, often in collaboration with other industry organizations, in order to create a more economically sustainable travel industry. Moreover, BTC will be working with global travel industry participants to better understand the problems that might lie ahead and to get the industry focused on them straightaway.

2009 ISSUES

I. COMPREHENSIVE ENERGY POLICY

Energy is the lifeblood of modern civilizations. The U.S. and most other countries have no comprehensive, realistic and rational energy policy that would stabilize pricing, assure supply, reduce dependence on foreign oil supplies and thoughtfully balance the conflicting objectives of global economic growth and protection of the environment. Recent oil price-levels and volatility will continue to cause the airline industry to shrink resulting in (1) lost jobs, (2) aging aircraft fleets, (3) abandoned airports, (4) higher airfares out of reach for average consumers worldwide and (5) insufficient financial returns and under-investment by all manner of travel industry commercial participants. With the price of oil having retreated from a July high of \$147/barrel we may now have a brief and important window-of-opportunity to press for energy policy legislation before the travel industry is yet again staring into the abyss as a result of unsustainable and potentially bankrupting energy prices.

II. U.S. AIR TRANSPORTATION INFRASTRUCTURE

The U.S. is nearing the status of third-world countries with respect to the modernity and efficiency of its air traffic control system and other vital aviation infrastructure. The U.S. has lost its envied leadership role in aviation infrastructure innovation. The nation's commercial fleet zigs and zags throughout the country wasting expensive fuel, harming the environment and robbing airlines and travelers of valuable productivity. How do we get on with funding long-overdue ATC modernization? Do implementation timelines need to be reevaluated? The current processes – political and project management – are structurally failed ones; how might the entire approach to modernization be reconceptualized? We cannot afford further delay.

III. U.S. AIRLINE INDUSTRY REGULATION

It is said that economists rarely agree on anything. However, one exception apparently is they concur that some markets work well; some markets do not work well; and some markets do not work at all. By most measures, the airline industry is not functioning well at all 30 years and 165 airline-failures after deregulation, e.g., shareholder returns, labor stability, customer service, distribution system strength, fleet age, aircraft maintenance standards, service to small and mid-size communities and international stature. Insufficient regulation of the financial markets, as a root cause of the current financial crisis, will likely provide more support for those favoring some level of government intervention in the troubled airline industry. Is government intervention really required or desirable? Where could government add value? What are the alternatives to such intervention?

Should you require a keynote address, presentation, executive briefing or education session for your customers, members, senior management or Board of Directors in 2009, BTC would be pleased to assist you. Previous presentations and government testimony can be accessed [here](http://businesstravelcoalition.com/presentations/testimony.htm). (http://businesstravelcoalition.com/presentations/testimony.htm)

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