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Business Travel Survey

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For the business travel industry, 2009 was a year in which the financial underpinnings of the business shifted substantially, prompting nearly every buyer to revisit nearly every supplier contract. The depth and length of the drop in demand was unprecedented and restructuring of relationships and service levels became ubiquitous.

While the business travel industry has weathered many a crisis, the duration of the downturn highlighted communications and crisis management skills. The elimination of jobs and the deep cuts in travel budgets made travel buyers vulnerable, but the focus on cost control also cast a light on the value that managing travelers and spending can bring to corporate productivity.

As in previous financial crises, awareness of and involvement in travel management decisions by senior management reached all-time highs and empowered travel buyers to reconfigure their programs and policies. In many cases, by embracing if not leading demand management efforts, such as employing videoconferencing and pre-trip reporting tools, travel buyers positioned themselves to gain support for other travel management moves.

The challenges gave travel buyers and their travel services providers a real opportunity to prove the value of their expertise and relationships in supporting the business mission and making the most of the

business travel investment. Focus on the return on the travel investment and the tradeoffs regarding costs and benefits of services last year helped cement a new foundation of travel management on which many companies will build in the coming years.



DAVID MEYER
EDITOR-IN-CHIEF

David Meyer

While companies last year instituted further restrictions on the use of premium class air, hotel and chauffeured services, there has been a loosening of some restrictions, particularly in the vertical markets that cut them most, but many companies are unlikely to return to the same level of use of these services for quite some time.

As always, *Business Travel News* appreciates the representatives from the six major segments of business travel service suppliers who contributed information for this 26th Annual Business Travel Survey, including the chief executives and owners of the 36 travel management companies who released their ARC air transaction and sales data. *Business Travel News* particularly appreciates the cooperation of the Airlines Reporting Corp. in providing that data from its Compass data warehouse to create an apples-to-apples comparison for the chapter on corporate-owned agencies.

Thanks to these sources and many others who enabled us to create this picture of how last year's performance and decisions helped create the environment that we find ourselves in today.

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TMCs Raise Value Of Expertise In Response To Recession

BY DAVID MEYER

No one could have looked at the financial meltdown of 2008 and expected 2009 to be anything but a tough year for travel management companies. Yet, while there were certainly moments when it appeared that any sign of recovery could be years away, it seems remarkable now how well travel management companies adapted to their customers' needs and how quickly the business now appears to be recovering.

While it was horrendously tough going, and many people lost their jobs, the intense cost scrutiny of the past year-and-a-half by senior management was an opportunity for travel managers and travel management companies to show the value of manag-

ing business travel. Reductions in force by most businesses created an environment in which more companies outsourced travel management operations and took advantage of negotiating expertise.

All indicators show that U.S. spending on business travel fell an average of at least 20 percent last year. The combined sales volumes of the U.S. travel management companies that released data to *Business Travel News* this year about the airline tickets for which they paid airlines last year—as certified by the Airlines Reporting Corp., the U.S. bank settlement plan—also

showed a nearly 20 percent loss from 2008.

To cope with the drop in rev-

customer service became even more important to travel management companies last year.

“Transactional volume was not down that much compared to dollar volume.”

enue and an 8.6 percent drop in transactions, many travel management companies reduced headcount. Those reductions in force largely were focused on the point-of-sale agent, however, because account management and

The altering of the financial foundation of the industry that had almost every travel buyer re-considering their contracts and bid activity was greater and more competitive than the industry has

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U.S. Travel Management Company 2009 Statistics

Company	Ranking	2009 ARC Air Transactions	2009 U.S. Non-ARC Air Transactions	2009 ARC Air Sales (\$)	2009 U.S. Non-ARC Air Sales (\$)	2008 ARC Air Transactions	2008 U.S. Non-ARC Air Transactions	2008 ARC Air Sales (\$)	2008 U.S. Non-ARC Air Sales (\$)	Primary GDS And % Of '09 Worldwide Transactions	Affiliations
AAA Allied Group Cincinnati, Ohio	19	125,386	11,180	53,522,888	3,319,913	134,441	8,908	75,470,738	3,479,886	Worldspan, 86	BCD Travel, Virtuoso, AAA
Adelman Travel Group Milwaukee, Wis.	8	289,597	53,000	150,513,137	22,000,000	346,223	55,714	211,408,579	23,600,000	Sabre, 100	Radius, Virtuoso
Adtrav Travel Management Birmingham, Ala.	7	215,614	ND	115,491,938	ND	290,918	ND	115,015,338	ND	ND	Radius, Signature
American & International Travel Services Memphis, Tenn.	31	47,532	7,652	22,491,640	2,690,528	49,387	8,383	28,420,782	2,228,692	Worldspan, 100	BCD Travel, CBTG
Atlas Travel Milford, Mass.	16	132,195	12,981,916	70,614,411	12,981,916	122,980	8,082,744	77,502,105	7,964,857	Sabre, 100	BCD Travel
Azumano Travel Portland, Ore.	15	134,843	11,770	60,548,270	3,816,082	185,226	17,409	91,172,385	4,580,438	Galileo, 100	American Express
Balboa Travel San Diego, Calif.	23	83,302	46,801	60,131,262	14,970,241	98,122	55,345	87,111,983	17,373,638	Amadeus/Sabre, 50	BCD Travel

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seen in a long while. Even though nearly every contract was in play, it seems that the incumbents generally kept the business. Rather than a whole lot of shifting, there was a general reexamination of whether business could be done more efficiently.

By and large, travel management companies adjusted terms and counseled their clients to change their policies, in many cases restricting premium class travel and in some cases implementing or increasing the use of technology. Companies desperate to make substantial cuts to travel expenses without hurting their businesses gained a new appreciation for in-house and travel management company expertise.

Ovation Travel Group executive vice president Michael Steiner summed up the response to the situation by his travel management company and others as “a lot of belt tightening, travel policy consulting, vendor negotiations and best practices discussions.”

“Gross volumes obviously were down for everybody, especially at the beginning of the year, and they kind of picked up at the end,” said Omega World Travel executive vice president of sales and services Goran Gligorovic, “but transactional volume was not down that

much compared to dollar amounts. We knew the fare didn’t go down that much, so we realized that a lot of corporations downgraded travel policy regarding class of service, made more advanced bookings and more strongly enforced travel policy.”

While everyone was challenged last year, and many took a beating, for Travel & Transport the challenge proved to be an opportunity. “We were very fortunate and had our best sales year ever,” said president and CEO Bill Tech, claiming \$115 million in new business, almost half coming from winning the Allstate Insurance and Booz Consulting accounts.

“The first quarter was horrific. It was T&T’s first-ever first-quarter loss in my 24-year history at the company,” Tech said. “But then with some account wins, things really started turning around. We were

pretty fortunate to get through such a tough time so well.”

Citing the unusual amount of bid activity last year, Tech said business travel buyers “had to reduce costs in their companies just like we did. Luckily, we retained almost all of our business. Not everyone, but certainly over 50

Continued on page 10

Rankings By 2009 ARC Transactions

Travel Leaders Group	1,087,763
Travel and Transport	726,265
Omega World Travel	579,155
World Travel Inc.	488,458
FCm Travel Solutions	417,131
Frosch	378,983
Adtrav Travel Management	306,157
Adelman Travel Group	289,597
Ovation Travel Group	264,185
Directravel	217,473
UStTravel	197,040
Christopherson Andavo Travel	194,913
CI Travel	187,504
World Travel Service	135,225
Azumano Travel	134,843
Atlas Travel	132,195
Travel Store	126,079
Fox World Travel	125,706
AAA Allied Group	125,386
Short’s Travel Management	121,076
Best Travel & Tours	107,510
Valerie Wilson Travel	85,044
Balboa Travel	83,302
Gant	80,914
National Travel Service	78,808
Hess Corporate Travel	72,076
Kintetsu International	66,063
Casto Travel	56,571
Covington International Travel	51,505
Teplis Travel Service	48,834
American & International Travel Services	47,532
Child Travel Services	37,600
Conference & Travel Services	37,126
Maupin Travel	31,954
SR Travel Service	21,625
Euro Lloyd Travel Group	17,344

Between the Lines

Once again, the mega agencies would not release their **ARC** data to *Business Travel News* and provided limited information on their annual performance. **American Express** for 2009 reported \$21.5 billion in global corporate sales, slightly up from the \$21 billion it reported to the **U.S. Security and Exchange Commission** the previous year. *BTN* estimates that American Express Business Travel last year processed 13.2 million ARC air transactions, generating \$6.4 billion in sales. **Carlson Wagonlit Travel** air, hotel and ground transportation transactions for 2009 were down 9.3 percent from 2008. Sales volume fell 22.8 percent from last year to \$21.4 billion. Volume in Asia Pacific and Europe, Middle East and Africa was impacted most, declining by 27.6 percent and 27.1 percent, respectively. In Latin America, volume declined 21.2 percent year over year, while North America saw a 17.4 percent decrease. **BCD Travel** saw total sales in 2009 of \$14.6 billion and in 2008 of \$14 billion, but would not release its transaction volume. HRG also did not provide data.

Most notable among changes to the list of participants from last year is the absence of **Altour** and **Ultramar**, which declined to participate, and the acquisitions of **Linden Travel Bureau** of New York, acquired by Houston-based **Frosch**, **The Travel Authority** of Jeffersonville, Ind., bought by Altour, and **George Garner** of Memphis, which became part of **Travel Leaders Group**.

Continued from page 8

Company	Ranking	2009 ARC Air Transactions	2009 U.S. Non-ARC Air Transactions	2009 ARC Air Sales (\$)	2009 U.S. Non-ARC Air Sales (\$)	2008 ARC Air Transactions	2008 U.S. Non-ARC Air Transactions	2008 ARC Air Sales (\$)	2008 U.S. Non-ARC Air Sales (\$)	Primary GDS And % Of '09 Worldwide Transactions	Affiliations
Best Travel & Tours <i>Chicago, Ill.</i>	21	107,510	10,215	64,381,579	2,156,987	93,586	12,819	49,021,935	2,658,757	Galileo, 100	Radius, Ensemble, Virtuoso
Casto Travel <i>San Jose, Calif.</i>	28	56,571	12,512	46,115,516	4,999,800	80,607	20,598	76,574,258	6,885,766	Galileo, 98	HRG, CBTG, ABC, Thor
Child Travel Services <i>Colchester, Vt.</i>	32	37,600	7,050	15,934,973	2,526,154	46,215	7,939	22,927,376	3,018,246	Galileo, 100	ABC, BCD Travel, Travel Leaders
Christopherson Andavo Travel <i>Murray, Utah</i>	12	194,913	25,379	98,971,869	7,186,881	145,457	28,641	79,417,286	8,114,228	Worldspan, 62	BCD Travel
CI Travel <i>Norfolk, Va.</i>	13	187,504	29,755	121,736,675	10,480,000	192,512	19,618	124,613,180	9,020,000	Worldspan, 80	American Express
Conference & Travel Services <i>Fort Wayne, Ind.</i>	33	37,126	5,885	16,782	1,860,771	41,905	5,581	22,019,868	2,050,054	Galileo, 100	Travel Leaders
Covington International Travel <i>Glen Allen, Va.</i>	29	51,505	8,529	28,106,596	2,641,858	60,908	9,488	39,742,342	2,600,389	Galileo, 95	BCD Travel, Travelsavers
Directravel <i>New York, N.Y.</i>	10	217,473	ND	118,023,952	ND	274,043	ND	175,884,126	ND	Galileo, 90	American Express, Hickory, Virtuoso
Euro Lloyd Travel Group <i>East Meadow, N.Y.</i>	36	17,344	4,600	13,208,403	5,521,000	20,002	ND	20,011,518	1,718,000	Sabre, 100	Thor, Travelsavers
FCm Travel Solutions <i>Chicago, Ill.</i>	5	417,131	ND	231,515,320	10,000,000	477,425	ND	314,349,934	ND	Sabre, 80	Radius, Travelsavers
Fox World Travel <i>Oshkosh, Wis.</i>	18	125,706	ND	52,290,996	ND	143,675	ND	74,504,553	ND	Galileo, 100	ND
Frosch Travel <i>Houston, Texas</i>	6	378,983	15,000	260,477,185	20,000,000	344,829	16,000	279,449,849	26,000,000	Sabre, 50	Global Specialist Markets (GSM), Signature, ABC
Gant Travel <i>Bloomington, Ind.</i>	24	80,914	ND	43,289,421	4,584,760	79,273	ND	51,578,219	3,672,210	Galileo, 100	FCm
Hess Corporate Travel <i>Bountiful, Utah</i>	26	72,076	10,148	37,239,538	2,463,007	43,124	12,795	25,298,633	1,871,583	Worldspan, 100	American Express
Kintetsu International <i>New York, N.Y.</i>	27	66,063	2,589	47,635,983	756,000	77,994	2,953	62,312,072	946,000	Galileo, 100	ABC, Thor, Travelsavers
Maupin Travel <i>Raleigh, N.C.</i>	34	31,954	5,921	16,257,179	2,126,376	37,355	7,158	20,372,316	2,849,751	Amadeus, 100	BCD Travel, Virtuoso
National Travel Service <i>Charleston, W. Va.</i>	25	78,808	14,336	38,347,067	4,119,897	88,077	14,488	43,000,177	4,327,554	Galileo, 99	ABC, American Express
Omega World Travel <i>Fairfax, Va.</i>	3	579,155	ND	360,196,839	217,850,000	845,208	ND	539,053,051	215,775,000	Sabre, 50	Radius
Ovation Travel Group <i>New York, N.Y.</i>	9	264,185	35,350	226,433,902	11,097,749	362,158	36,828	298,530,010	10,671,104	Sabre, 100	Radius

Continued from page 6

percent of our clients came back and asked us to re-look at it. We adjusted terms in some cases and in some we couldn't.

"We even got a couple of five-year contracts, which are practically unheard of these days," Tech added. "Those customers have been with us for a long time and wanted to lock into a lower price."

At Valerie Wilson Travel, "In many cases, after October of 2008, we were guiding our clients on corporate policy and changing procedures," said co-president Jennifer Wilson-Buttigieg. "As TMCs, we've learned to become so flexible and nimble because you don't know what the crisis of

the day will be. We've been teaching and showing our clients that."

The one-to-one conversations that took place with each corporation to reexamine every contract, leases and rent, medical expenditures and compensation structures are "what relationships are based on," Wilson-Buttigieg said.

While a lot of Ovation's clients

issued requests for travel management company proposals, Steiner said, "most used that opportunity to validate the program, and 100 percent stayed with us. Some went off-site to reduce costs, and some moved online, but most kept their configurations the same."

Some TMCs dealt with the situation proactively. At Omega World Travel, said Gligorovic, "We

decided the environment created an opportunity for us to reach out to them as a value-add and act as a consultant to get through the tough times."

Directravel president Pat Fragale said that very few of his company's clients went out to bid because "we were proactive in late 2008 in scaling to the business level. If that meant some displacement of employees, unfortunately that's what had to happen. I retained 95 percent of my business and meanwhile won a lot of new business."

With so many accounts in play, it is interesting how few changed

"That was a lesson that we learned that we will use in future downturns: Cut quickly, but then give back gradually. That allowed us to retain people that we otherwise would have had to cut."

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Company	Ranking	2009 ARC Air Transactions	2009 U.S. Non-ARC Air Transactions	2009 ARC Air Sales (\$)	2009 U.S. Non-ARC Air Sales (\$)	2008 ARC Air Transactions	2008 U.S. Non-ARC Air Transactions	2008 ARC Air Sales (\$)	2008 U.S. Non-ARC Air Sales (\$)	Primary GDS And % Of '09 Worldwide Transactions	Affiliations
Short's Travel Management Overland Park, Kan.	20	121,076	135,337	45,497,706	40,996,110	115,772	162,146	52,448,128	71,815,776	Galileo, 95	ND
SR Travel Service San Francisco	35	21,625	ND	24,819,917	1,236,301	22,745	ND	28,939,568	934,926	Sabre, 100	BCD Travel, Virtuoso
Teplis Travel Service Atlanta, Ga.	30	48,834	13,520	33305836	3,872,557	14,811	60572	4,632,718	45,464,536	Sabre/ Worldspan, 50	ABC, Travelsavers
Travel and Transport Omaha, Neb.	2	726,265	710,506	331,010,667	322,719,992	771,760	714,240	428,239,463	314,757,687	Galileo, 60	Radius, Virtuoso
Travel Leaders Group Holland, Mich.	1	1,087,763	196,523	705,089,466	87,181,198	988,703	227,466	737,961,037	101,474,071	Sabre, 86	ABC, GlobalStar, Travel Leaders
Travel Leaders Corporate* Coral Gables, Fla.		199,336	52,872	112,334,671	13,181,198	142,761	64,226	70,278,141	16,474,071		
Tzell Travel Group* New York, N.Y.		782,647	143,641	539,915,793	74,000,000	845,942	163,240	667,682,896	85,000,000		
Travel Store Los Angeles, Calif.	17	126,079	49,347	76,887,507	11,818,000	165,293	57,251	114,044,147	13,660,000	Sabre, 70	BCD Travel, Signature
USTravel Anchorage, Alaska	11	197,040	87,910	99,758,432	16,032,758	190,636	115,434	111,376,048	25,396,206	Galileo, 98	BCD Travel, Signature
Valerie Wilson Travel New York, N.Y.	22	85,044	11,929	77,054,242	8,650,000	106,483	9,709	109,535,964	7,522,253	Sabre, 82	ABC, CCRA, Virtuoso
World Travel Inc. Douglassville, Pa.	4	488,458	81,433	260,133,369	21,427,228	535,018	77,200	330,229,116	21,676,046	Galileo, 80	Radius, Ensemble
World Travel Service Knoxville, Tenn.	14	135,225	21,217	65,688,858	5,283,572	138,629	19,315	77,204,846	4,857,618	Worldspan, 100	BCD Travel, Ensemble

* Travel Leaders Corporate and Tzell Travel Group are subsidiaries of Travel Leaders Group.

Travel Agency Survey Methodology

Business Travel News again this year asked travel management company chief executives to sign release forms and send them to Arlington, Va.-based Airlines Reporting Corp., authorizing the U.S. bank settlement plan organization to release for publication each agency's 2009 ARC air ticket transaction and sales data.

BTN invited agencies that book more than half of their sales for business travel through ARC to release ARC data for wholly owned home offices and legal entities, including all branch and satellite ticket printer sales data and the percentage of tickets purchased for domestic travel.

ARC provided only ARC air transaction and sales data and the percentage of sales booked for domestic versus international travel. ARC defined net air sales as the sum of the fare listed on each ticket exclusive of agency commissions. Air transaction counts exclude refunds, exchanges and voids.

All other data, including non-ARC sales and transactions, are self-reported. This volume may include purchases made through vendor websites, sales to ARC-accredited Corporate Travel Department accounts and such bulk-buy programs as American Airlines' AAirpass.

Publicly held American Express and HRG, privately held BCD and Carlson Wagonlit and all online-originating players did not participate.

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hands. "For the most part, their travel management companies gave them what they were looking for in the way of concessions," explained T&T's Tech, adding, "There is a cost to change in terms of the time, energy and the money it takes to make a successful transition."

Many travel management companies responded to the reduction in customer demand by eliminating the jobs of 10 percent to 30 percent of point-of-sale travel consultants. Others made severe salary cuts to retain employees.

Tech said that as things improved, instead of giving back the pay cuts immediately, "we gradually gave them back. We gave some back in October of last year, some on Jan. 1, and we didn't restore everyone back to their salary until April 1 of this year. On July 1, we're going to give raises. That was a lesson that we learned that we will use in future downturns: Cut quickly but then give back gradually. That allowed us to retain people that we otherwise would have had to cut."

"We acted the same way we did after 9/11 and in 2003," said Valerie Wilson's Wilson-Buttigieg, "and put tiered pay cuts in place. We were able at the end of 2009 to give 50 percent of everyone's pay back in one lump sum check. And then 50 percent of their pay was reinstated in May of this year."

No matter how well companies may have recovered, 2009 was a rough year for everyone. Still, the trial by fire helped to validate travel programs and travel management company services and drive greater compliance with preferred vendors and policies.

"I think the strong survived last year," according to Directravel's Fragale, "and what I see is that this business is about relationships and communication."

He said this past year was the time to say, "If it's not broke, break it and figure out more efficient ways to improve the bottom line."

"In the past," Fragale continued, "when times were good, our recommendations weren't a top priority. After the past 18 months, we're seeing that our services are more important than ever, and are being accepted more than ever before." ■



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Domestic Carriers' Discipline Bodes Well For Recovery

BY JAY BOEHMER

Leaving behind the billions in losses they racked up over the past two years, major domestic carriers are queuing up not just profits in 2010, but the prospect of longer-term profitability and, perhaps, a structural shift toward financial sustainability. In the past decade, domestic airlines have shed 150,000 jobs and posted losses nearing \$60 billion, and dozens of them filed for bankruptcy, some the kind you don't return from. What emerged, carriers and analysts said, is a leaner and smarter, albeit smaller, industry ready to manage through the next decade thanks to lessons learned in the last one.

"What we know with certainty," United Airlines executive vice president and CFO Kathryn Mikells said this month, "is that in our hyper-competitive industry, the future must look significantly different from the past in order for us to break the boom-and-bust cycle that's been the norm."

As airlines learn time and again, however, the industry's outlook changes in real time, bending with each spike in oil costs, each economic downturn, each new entrant, each new presidential administration and each world event.

"We have long struggled to find a healthy equilibrium between supply and demand here in the United States," American Airlines CEO Gerard Arpey said this month. "If we assume the current economic recovery has legs—and perhaps that's a brave assumption—then I think as an industry we are much better positioned to leverage the upturn than we have been in previous recoveries. There are far fewer seats for sale in the marketplace today than there were five years ago. There are also signs that the industry has learned its lesson about keeping capacity growth in line with demand and will continue to apply that lesson even as the economy comes back."

When the International Air Transport Association in March released its annual forecast, the association targeted U.S. carriers to rival 2009 with yet another \$1.8 billion in losses. All it took were a few months for IATA to reverse that outlook, and this month the association said it now expects North American carriers to count \$1.9 billion in profits this year.

That reversal reflected not just what's going on the economy at large, but also what has taken hold within the airline industry, as companies maintain capacity discipline, bring

in new sources of revenue, find new partners and carefully watch every penny that makes its way onto the balance sheet. Morgan Stanley aviation analyst Bill Greene this month said, "The airline industry is firmly in the recovery phase of this upcycle."

JP Morgan aviation analyst Jamie Baker has taken IATA's outlook and Greene's assessment a step further, saying he remains "bullish" on the domestic airline industry as airline managements and economic trends have coalesced to the benefit of the industry for more than just a year. "Manageable fuel, tight supply, incremental revenue streams, disciplined managements and rapidly recovering demand portend a multiyear profit run for U.S. operators," he said in a recent research note.

UBS aviation analyst Kevin Crissey also is anticipating at least one profitable year for U.S. airlines. "If this is a cyclical recovery that lasts multiple years, the airline industry could be in position for the best run in a long time," he said.

US Airways president Scott Kirby this month said he sees the current recovery that is brewing not as just a cyclical, but a structural, change. "The industry appears to be turning

Between The Lines

Continental Airlines and **United Airlines** this year agreed to merge to form the world's largest airline. The carriers this month said they still expect to close the deal by the end of this year, though the merger still requires shareholder approval, expected in September, and regulatory approval, targeted for completion by November or December. If approved, the carriers expect to complete integration in 2013.

Republic Airways Holdings last year purchased **Midwest Airlines** and **Frontier Airlines**, representing a marked change in the holding company's core business of supplying fixed-fee regional operations for legacy carriers. The company this year said it would retire the Midwest brand and integrate the carrier with Frontier. Republic Airways Holdings' financial and operational data for its new "branded flying" division now are not sufficient for the airline brands to be included in this year's Business Travel Survey.

Japan Airlines in January of this year entered the Japanese equivalent of Chapter 11 bankruptcy protection. As such, the carrier, whose financial and traffic figures typically are included in the Business Travel Survey, did not release full-year results for its fiscal year that ended March 31, 2010.

Domestic Carrier Statistics

2009 Passenger Revenue (\$000,000)		2009 Net Earnings (\$000)	
Delta Air Lines	18,522	Southwest Airlines	143,000
AMR Corp.	15,037	AirTran Holdings	93,600
UAL Corp.	11,910	Alaska Air Group	88,700
Southwest Airlines	9,892	JetBlue Airways	58,000
Continental Airlines	9,244	Continental Airlines	-295,000
US Airways Group	6,752	US Airways Group	-499,000
JetBlue Airways	2,928	Delta Air Lines	-1,068,000
Alaska Air Group	2,439	UAL Corp.	-1,128,000
AirTran Holdings	2,089	AMR Corp.	-1,361,000

a corner and hopefully it really is different this time," he told investors assembled this month at the 2010 Bank of America Merrill Lynch Global Transportation Conference in New York. "One of the things I've become really fond of saying in my meetings with investors recently is you never should say it's different this time, because it very rarely is. But the environment does seem different this time around and for some real structural reasons."

Among those, Kirby pointed to the sustained capacity discipline that started with the legacy carriers a couple years ago, spread to the once growth-happy low-cost carriers and has been maintained on an industrywide basis, even as demand has picked up in recent quarters.

The second major structural change, he said, is the industry's embrace of ancillary pricing, which has lifted passenger revenue at a time when base fares were doing everything but growing. "It's hard for me to overstate the importance of that to the industry and what a structural change that is," Kirby said of the blossoming a la carte pricing options with which airlines continue to experiment.

The CFO-Led Industry

While the shift from billions in losses to the prospect of multiyear profits is no doubt a positive development for a dysfunctional industry, a few years in the black hardly is the measure of a sustainable industry, said UBS's Crissey, who for years has peppered his research notes with the warning that "trading airline stocks may be hazardous to your wealth."

By way of an introduction during a presentation at the *Business Travel News*/National Business Travel Association Strategic Travel Symposium in March this year, he said, "This is a bad business." Considering domestic airlines have lost so much in the past decade, Crissey said, "Someone has to be subsidizing these airlines into existence, and that's the investor base."

To Crissey and other investor advocates, that is a troubling reality. "The thing about large losses is the owners of the company aren't happy, labor can't be happy because they can't get the pay increases and the opportunity for growth that they want, and suppliers aren't as happy because they're not selling as many planes," he said.

While profitability is a start, what investors ache for are companies that deliver a return on invested capital, generally a measure of how well a company is at steering investment into returns. Airlines don't even calculate their return on invested capi-

tal, Crissey said, as even the most U.S. profitable carrier hasn't gotten that far. "Southwest posts profits every year, but profits aren't the measure by which I measure. I look at everything relative to the return on invested capital relative to the cost of capital." The Air Transport Association, in a report this month, similarly noted, "Even profitable years have been inadequate to cover the cost of capital."

Though he's not changing his "hazardous to your wealth" warning, Crissey said the underlying fundamentals of the industry have improved. He and others, meanwhile, have spoken of yet another change: Major domestic operators largely have gone from marketing-led organizations to CFO-led organizations, making them more investment-minded and focused on earning their cost of capital and returning investments. "In the past, you had so many aircraft coming that airlines had to be marketing machines to fill their planes," he said.

US Airways' Kirby noted a similar shift in how airlines are run. "The industry by and large is led by CEOs who have a different view of the industry than perhaps the CEOs of yesteryear. They're much more focused on returns and financial performance than they are on empire building. Today's crop of CEOs are mostly former CFOs or general counsels—people much

Continued on page 18

Domestic Carriers Lap Up Ancillary Revenues

2009 ancillary revenue, in \$000,000, including baggage and reservation change fees

Airline	Q1	Q2	Q3	Q4	Change, Q409 vs. Q408	Total 2009
Delta	367.4	407.0	447.5	425.7	47.3%	1,647.6
American	241.4	246.5	261.2	253.3	2.9%	1,002.4
US Airways	221.3	228.2	230.8	231.8	2.1%	912.1
United	146.3	158.5	168.5	146.2	-3.4%	619.5
Southwest	143.0	148.4	155.7	157.2	11.8%	617.1
Continental	144.0	136.0	130.5	129.1	66.6%	539.7
AirTran	55.9	65.7	68.0	61.2	69.1%	249.7
JetBlue	48.9	48.5	48.7	48.1	-2.8%	193.1
Alaska	28.8	28.7	47.3	42.2	39.7%	147.0
Total	1,875.30	1,949.50	2,089.80	1,911.10	18.3%	7,825.70

Source: Bureau of Transportation Statistics

"Low-Cost Carriers" Earn The Name In 2009

Cost per available seat mile, in cents, for full-year 2009

JetBlue Airways	8.99
AirTran Holdings	9.29
Southwest Airlines	10.29
Continental Airlines	10.62
UAL Corp.	10.72
Alaska Air Group	10.78
US Airways Group	11.06
Delta Air Lines	11.21
AMR Corp.	12.22

Source: AirlineFinancials.com

Domestic Airlines

	2009 Sales Rank	2009 Passenger Revenue (\$000,000)	2008 Passenger Revenue (\$000,000)	2009 Net Earnings (\$000)	2008 Net Earnings (\$000)	2009 RPM (000,000)	2009 ASM (000,000)	2009 Load Factor (%)	Number Of Aircraft In Fleet	Number Of Airports Served	Major Hubs
Alaska Air Group	8	2,439	3,355 ¹	88,700	-135,900	18,362	23,144	79.3	115	93	Anchorage, Portland, Seattle, Los Angeles
AMR Corp.	2	15,037	18,234	-1,361,000	-2,071,000	122,418	151,774	80.7	608	248	Chicago O'Hare, Dallas/Fort Worth, Miami
Continental Airlines	5	9,244	11,382	-295,000	-585,000	79,824	97,407	81.9	337	267	Cleveland, Houston, Newark
Delta Air Lines	1	18,522	15,137 ²	-1,068,000	-8,922,000	163,706	197,723	82.8	740	289	Atlanta, Cincinnati, Detroit, New York JFK, Memphis, Minneapolis, Salt Lake City
JetBlue Airways	7	2,928	3,056	58,000	-76,000	25,955	32,558	79.7	151	59	Boston, Long Beach, New York JFK
Southwest Airlines	4	9,892	10,549	143,000	178,000	74,457	98,002	76.0	537	68	Baltimore/Washington, Dallas, Chicago Midway, Las Vegas, Phoenix
UAL Corp.	3	11,910	15,337	-1,128,000	-5,348,000	100,475	122,737	81.9	360	224	Chicago O'Hare, Denver, San Francisco, Washington Dulles
US Airways Group	6	6,752	8,183	-499,000	-2,210,000	57,889	70,725	81.9	349	199	Charlotte, Philadelphia, Phoenix

¹ Includes Alaska Airlines and Horizon Air

² Delta's 2008 figures include Northwest figures only after the merger closed, representing the period from Oct. 30 to Dec. 31, 2008.

Sources: Company reports, AirlineFinancials.com, OAG

Airlines Relish Rise In Fares, Ancillary Revenue Gains

BY JAY BOEHMER

Every month last year, major U.S. airlines saw a year-over-year decline in average fare. So far this year, the opposite has held true. Couple that with a growing appetite for ancillary revenues—from baggage fees and change fees to lounge passes and whatever the revenue management department's fancy—and domestic airlines are in a better position to generate revenue than they've been in quite some time.

"Pricing is still below where it was in 2008, though it's bounced way off the nadir that it hit in 2009," US Airways president Scott Kirby said this month.

Coming off the lowest fares in a decade, airfare analyst and FareCompare.com CEO Rick Seaney said there is hardly anywhere for airfares to go but up, and signs of prices firm-

ing continue to build. Whereas yields declined about 12 percent for the full year of 2009, through April this year yield has grown about 8 percent year over year, with the momentum building with each month, suggesting even further pricing power in the airline's hands for months to come.

Even though carriers have been unable to pass through major systemwide fare increases, Seaney said the mix of business has moved steadily to favor higher yield travelers as the airfare fire sale that lured so many leisure travelers to the skies last year has made way for heightened airline pricing power.

"The industry really aggressively discounted last year," Kirby said. "What we've seen this year is the industry is not discounting as aggressively. There haven't yet been large fare increases across the industry. They don't get

headline press reports, but there have been some more tactical fare increases across the industry in recent weeks. I'm optimistic that, given the strong revenue environment that we and others are seeing, that we'll start to get some pricing traction."

Seaney said many airlines this year "are closing out all of their cheapest inventory classes for the summer" and, even if fare hikes haven't been met with widespread success, "Southwest hasn't had a systemwide, marketed published sale since November of last year, and last year they were doing at least one a week. That tells you how firm it is for the summer."

As fares themselves firm, airlines also continue to diversify their sources of revenue through a la carte fees, new service charges and other ancillary fees. What started a couple

of years ago as a charge to check a second bag has snowballed into a fundamental shift in how airlines price their products and generate revenues. The trend toward unbundling, upselling and other euphemisms for charging more shows few signs of letting up.

"We've recognized the need to transform the revenue model, and we've taken calculated risks as we try to create new streams and revenue," said Kathryn Mikells, CFO at United Airlines, which alone expects revenue generated from ancillary revenues to top \$1.2 billion this year.

The ancillary revenue revolution took hold with checked bags, introduced by United more than two years ago, but carriers continue to experiment and build revenue, while giving customers a service option or a new source of frustration, depending on the perspective.

Continental CEO Jeff Smisek this month presented selling exit row seating as a case study in how airlines are finding new revenue in old places. "We have other products to come, but exit row seats have been a homerun for us," Smisek said this month. "In the old days—that is, a few months ago—we used to give away exit row seats."

Though Smisek said Continental's elite status frequent flyers still would get priority, Continental in some cases would have given away such a perk—on a free, first-come basis. "Aunt Erna, who bought on Orbitz and doesn't know she's flying Continental, who gets on board and looks around and says, 'gee this one's blue and gray,' and paid \$69, she gets the exit row seat," Smisek said. Now,

Continental sells those at varying prices, depending on length of haul—but still maintains it as a free perk to the most frequent flyers. "We are now generating on average \$120,000 a day from this one product," Smisek said this month. "You do the math."

Continental and United are hardly alone, and new optional services and fees continue to expand in the industry. Just this month, American Airlines introduced what it calls its

AirTran CEO Bob Fornaro this month said he sees a law of diminishing returns already at play when it comes to ancillary airline revenues, noting that, at least for his carrier, the biggest moneymakers already have been introduced. "Certainly, it's a good revenue source," Fornaro said on the topic of ancillary revenues. "There are opportunities, but the biggest ones I think are in our numbers now: change fee, cancel fee, the upgrade program and the first bag. Going forward, most of the changes will be modest. You can debate some of the other things—whether to charge for carry-on bags—but I just don't see that happening right now," he said, referring to a Spirit Airlines proposal to charge passengers to carry on luggage.

The industry may be slow to adopt such a move, but there is evidence that consumers have grown to accept the new pricing models. J.D. Power and

Associates this month released its annual consumer satisfaction survey for the U.S. airline business, and found that not only did overall satisfaction improve in the past year, but that passengers may have grown to accept the proliferation of ancillary fees levied by carriers. "The fact that overall satisfaction with airlines has improved is particularly notable in light of a difficult economic year, in which add-on fees have continued to proliferate and two major airlines have merged," said Stuart Greif, vice president and general manager of the global travel and hospitality practice at J.D. Power. Among the criteria on which it rates carriers, the costs and fees category saw an increase in satisfaction in the past year. ■

Airline Passenger Traffic Hits Three-Year Low In 2009

Traffic on all service to, from and within the United States

	2004	2005	2006	2007	2008	2009
Passengers (in millions)	703.7	738.6	744.4	838.4	812.3	769.6

Source: AirlineFinancials.com

Boarding and Flexibility Package, part of a suite of ancillary services called Your Choice, which AA director of merchandising strategy Cory Garner described as "our umbrella brand for our optional services." The suite also includes such previously available optional services as inflight Internet access, Admirals Club day passes and confirmed flight changes, among others. Garner said AA plans to add many more Your Choice offerings. "This is another step in an evolution that's been taking place for years now, and something we see as giving the customer more choice, more control, more visibility, more ways to personalize their travel," he said. "This is a point along an upward trend."

About These Charts

The accompanying charts list domestic and international airlines with more than \$1 billion in annual passenger revenue and that are certified by the U.S. Department of Transportation. Cargo and charter-only airlines are excluded, as are those that do not report financial results or have not yet reported 2009 financial or operational data. Regional carriers that primarily feed larger airlines and other smaller carriers also are excluded. The 2009 sales rank is based on passenger revenues for 2009, excluding charter operations. Net earnings include all one-time and exceptional items and are after tax, except where noted. Charts are based on year-end Dec. 31, 2009, data except where noted. All figures were converted from local currencies to U.S. dollars, using Dec. 31, 2009, conversion rates, except where noted. The number of aircraft represents the fleet size as of Dec. 31, 2009.

Business Travel News collected information from company officials, company financial reports, Securities and Exchange Commission filings, airline alliance reports, the International Air Transport Association and analyst reports.

International Airlines

	2009 Sales Rank	2009 Passenger Revenue (\$000,000)	2008 Passenger Revenue (\$000,000)	2009 Net Earnings (\$000)	2008 Net Earnings (\$000)	2009 RPM (000,000)	2009 ASM (000,000)	2009 Load Factor (%)	Number Of Aircraft In Fleet	Number Of Airports Served	Major Hubs
Air Canada	7	8,099	7,948	-22,870	-838,789	47,884	59,343	80.7	332	177	Toronto, Montreal, Vancouver
Air China	10	6,245	6,359	702,488	-1,374,000	46,897	61,283	76.5	274	137	Beijing, Chengdu, Shanghai
Air France-KLM*	1	23,314	24,873	-2,097,000	-1,075,100	125,799	155,971	80.7	594	187	Amsterdam, Paris
ANA Group*	5	9,117	12,517	-619,079	-42,800	34,559	52,089	66.3	210	80	Tokyo, Osaka, Nagoya
British Airways*	3	10,548	11,138	-640,390	-508,843	68,879	87,723	78.5	238	165	London
Cathay Pacific Group	11	5,921	7,490	263,182	-1,104,320	55,575	69,075	80.5	126	90	Hong Kong
China Southern	9	7,322	7,395	77,078	-702,036	57,788	76,702	75.3	378	192	Guangzhou, Beijing
EasyJet ¹	16	3,423	3,177	113,346	132,449	31,420	36,142	85.5	181	114	London Gatwick, Stansted, Luton
Emirates*	6	8,981	8,978	964,000	405,750	78,498	100,510	78.1	142	100	Dubai
Iberia	13	4,765	5,946	-391,269	45,111	30,827	38,623	79.8	109	124	Madrid
Korean Air	14	4,686	4,730	-52,750	-1,555,550	34,254	46,566	73.4	127	107	Seoul, Busan, Jeju
LAN	17	2,624	2,859	231,000	335,700	18,535	24,094	76.9	99	65	Santiago
Lufthansa* ²	2	22,598	22,260	-150,674	791,135	99,821	128,169	77.9	722	206	Frankfurt, Munich, Zurich
Qantas ³	4	9,336	12,207	98,957	932,655	61,625	77,419	79.6	229	76	Brisbane, Melbourne, Sydney
SAS Group	15	3,980	4,912	-409,934	-814,905	14,441	20,157	71.6	122	92	Copenhagen, Oslo, Stockholm
Singapore Airlines*	8	7,633	9,950	154,376	698,597	51,501	65,662	78.4	108	63	Singapore
Thai Airways	12	5,599	4,789	219,530	-623,087	32,679	44,757	73.0	91	76	Bangkok, Chiang Mai, Phuket, Hat Yai

* Fiscal year ended March 31, 2010

¹ Fiscal year ended Sept. 30, 2009

² Lufthansa group includes Swiss, Austrian, Bmi

³ Fiscal year ended June 30, 2009

Continued from page 14

more focused on finances and on return than they are on, 'How big is my airline? How big is my marketshare? How many cities do I fly to?' That, investor advocates said, is a good start toward long-term financial health.

Delta president Ed Bastian agreed. "You've got managements across the industry that I believe are much more focused on shareholder return," he said this month. "You've got companies that have gone throughout the bankruptcy process and are highly sensitized

to delivering and generating the level of return that's required."

What The Airlines Can't Control

There are many things these new investment-minded CEOs can control. They get to determine what cities they fly to, what their capacity levels will be, when they initiate a fare sale or, conversely, when to raise the price to check a bag. However, airline management controls only a portion of their fate.

As such, they remain wary as ever of a spike in fuel, a second dip into recession or some other, unforeseen exogenous event. Such a thing is all it takes to upend their steps toward profitability. As summed up by airfare analyst and CEO of FareCompare.com Rick Seaney, the airlines are rightfully suspicious of seemingly good times.

"Airlines are like the whack-a-mole game," he said. "Every time they stick their heads out, they get smacked with a mallet—whether that's \$145 barrel of oil or a recession." ■

Carriers Continue To Make The Most Of Capacity Control

BY JAY BOEHMER

If forecasts come to pass, domestic airlines should add no more than 2.2 percent capacity this year over last and, according to American Airlines CEO Gerard Arpey, that bodes well for the industry since such a growth rate would track below the roughly 3 percent U.S. gross domestic product growth anticipated this year.

"Responsible growth means growth that is consistent with GDP," Arpey said this month during the 2010 Bank of America Merrill Lynch Global Transportation Conference in New York, recounting a rule of thumb espoused by other executives and industry analysts. "If GDP is growing in a region at 2 or 3 percent, then generally carriers can grow responsibly inside that number and remain healthy."

Arpey is hardly alone. Airline executives and industry analysts have pointed to capacity discipline as the linchpin to the financial health of U.S. airlines.

Ever since domestic carriers in 2008, spurred by a fuel crisis with which they could barely cope, took a dramatic 9 percent of the available seat miles out of the system—roughly the size of a large, legacy airline—the industry has continued to constrain capacity.

"One of the most important things that happened in the industry is capacity discipline," US Airways president Scott Kirby said. "In 2009, you saw all airlines reduce capacity, following the spike in fuel and the bad revenue environment. What was unique about 2008 and 2009 capacity is that not only the legacy carriers reduced capacity, but for the first time in history of the industry the low-cost carriers by and large reduced capacity, with one exception—but even JetBlue reduced capacity in 2008."

According to an analysis of company reports and executive declarations by the firm Stifel Nicolaus, the total U.S. industry will add between 1.5 percent and 2.2 percent capacity, with the legacy airlines growing by no more than .5 percent and the low-cost carriers adding up to 5.7 percent capacity this year. Stifel Nicolaus airline analyst Hunter Key in a research note this month said, "Capacity discipline remains the key to unit revenue acceleration, and we have heard nothing from most U.S. airlines indicating much appetite for incremental growth."

Once a key driver of industry growth,

Southwest Airlines for the first time in its history last year cut capacity as it reduced full year available seat miles by about 5 percent. The carrier has maintained a commitment to holding that steady this year.

Even those so-called low-cost carriers who are adding capacity this year claim to be doing so in a responsible manner. "We think we've successfully repositioned the company from a hyper-growth company four or five years ago to a company that's much more disciplined," AirTran CEO Bob Fornaro said this month. "We think there are growth opportunities, and we think we can participate in those growth opportunities, but also, ultimately, we think discipline is important."

This year, AirTran expects to grow capacity

we were taking a new airplane every 10 days," Barger told investors in New York this month. "Fast-forward, and we've slowed that growth down," noting that JetBlue in that time has deferred more than 100 aircraft, while selling and leasing other aircraft. Still, JetBlue this year is posting the highest growth rate, as it expects to increase full-year capacity between 6 percent and 8 percent, compared with 2009. That upswing is driven by growth in both the Boston and Caribbean markets, while capacity throughout the rest of its network is on pace to decrease, the carrier said.

Still, legacies see the furious pace of growth by low-cost or new entrant carriers as abating. "The low-cost carriers have not been growing at the pace that they were growing in the past, which was one of the other obstacles that we faced," Delta's Bastian said. "It's tough with fuel prices—even at today's \$75 level, which may seem cheap compared to the past—to be a low-cost provider and be able to generate growth the way they've done in the past. That's adding another level of discipline to the marketplace."

Bastian cited another reason carriers won't start adding more seats than the market can consume. "We all have burnished in our minds that \$147 oil price that we experienced two summers ago," Bastian said. "That has caused us all to think hard about not expanding and not over-investing in terms of fleet and capacity, for fear that oil prices could rocket on us."

The dramatic cuts in capacity have done more than reduce the number of seats in the market and reduce service to smaller communities. As carriers cut capacity, their networks are changing, Stifel Nicolaus' Key said. "Legacy airlines have been increasingly retreating to their own hubs, where pricing power is best due to strong market share, and future international growth opportunities will likely exist." Such moves are exemplified by American Airlines' Cornerstone Strategy, which focuses on its hubs, and US Airways' U.S. network realignment that focuses almost exclusively on service to and from its Charlotte, Philadelphia and Phoenix hubs and three other cities, which combined will represent 99 percent of the airline's capacity by year-end.

"It's good to see the industry recognize we are in a mature industry," Kirby said. "This isn't a growth industry anymore." ■

Carriers Maintain Capacity Discipline In 2010

Carrier	Capacity Change, 2010 vs 2009
JetBlue	+6% to +8%
Alaska	+4% to +5%
AirTran	+3% to +4%
Continental	+0.5% to +1.5%
American	1%
US Airways	1%
Southwest	"roughly flat"
Delta	no change
United	-2.1% to -1.1%
Legacy Airlines	flat to +0.5%
Low-Cost Carriers	+3% to +5.7%
Industry Average	+1.5% to +2.2%

Source: Company reports, Stifel Nicolaus

by up to 4 percent, concentrated in Milwaukee, the Caribbean and, perhaps, some modest growth in its hub in Atlanta, Fornaro said. "If we keep our costs down and keep our quality high, I think we can continue to grow at a 4 to 5 percent rate—not a double-digit rate—but a reasonable rate," he said.

JetBlue CEO Dave Barger recounted a similar period of hyper-growth that has made way for more calculated capacity moves. "In 2006,

Car Rental Industry Approaches A Consolidation Turn

BY CHRIS DAVIS

One way or another, irrevocable change soon will consign the car rental industry of 2009 and the first half of 2010 to the pages of history, and not just because of the easing of the recession and corporate cutbacks that brutalized the sector a year ago. Dollar Thrifty Automotive Group, so wounded by the recession that its stock price dipped below 65 cents a share, soon will become the property of Hertz Corp. or, less likely, Avis Budget Group, for a billion-dollar price tag.

At press time, Avis Budget's bid to disrupt Hertz's announced acquisition of Dollar Thrifty with a more lucrative offer hadn't been settled. Whatever the final result, the acquisition of Dollar Thrifty from 2009's bankruptcy bait to 2010's billion-dollar prize is to an extent emblematic of an industry that effectively rethought its fleet strategy and capitalized on an improving used-car market to claw out of last year's pit.

Corporate buyers with the ability to direct significant volume, though, still can expect a strong hand in car rental negotiations—the

industry hasn't come that far yet. Smaller accounts might find vendors less interested in cutting rate-based deals than last year, but corporate demand still goes a long way.

"Taking a glance at our top 200 accounts, there are still a few pockets that aren't as rosy as we'd like, but there is positive, reasonable growth," said Avis Budget senior vice president of commercial sales Bob Lambert. "During the downturn, there wasn't as much volume there." He added, "We're happy 2009 is over. We're cautiously positive as things move forward. 2010 is a much better year."

Avis Budget's 2010 could well hinge on the outcome of their outside bid for Dollar Thrifty. Hertz in April agreed to buy Dollar Thrifty for \$1.2 billion, but Avis Budget officials a week later expressed interest in outbidding Hertz with "a substantially higher offer." The situation remained in flux at press time, but whatever the outcome, the competitive business travel landscape shouldn't be too roiled: Neither Dollar nor Thrifty are key corporate brands, but they would allow Hertz to provide a broader package of price points.

Dollar Thrifty largely has remained mum since the Hertz acquisition announcement in April. "We continue to believe the improvement in the overall economy, combined with the ongoing recovery in consumer confidence, will result in low single-digit growth in rental days in 2010," said president and CEO Scott Thompson in May during Dollar Thrifty's first-quarter conference call, after the acquisition was announced. "The company believes that customer demand for its value-oriented leisure brands will result in moderate increases in revenue per day on a year-over-year basis. Accordingly, we are reaffirming our outlook for revenue growth of 2 percent to 4 percent compared to the level in 2009."

Sitting on the sideline this time is Enterprise Holdings, author of the last major car rental deal in 2007, when it acquired the Alamo and corporate-centric National brands. "The industry is getting more competitive," said Enterprise vice president of business rental development Brad Carr. "We're seeing business come back slow but steady, with a slow increase since January. We're still slightly below

Car Rental Brands

Car Rental Brand	2009 Car Rental Revenue (\$000)	2008 Car Rental Revenue (\$000)	LOCATIONS							FLEET						
			Total	U.S. Corp.-Owned	U.S. Franchise	U.S. Affiliate	Foreign Corp.-Owned	Foreign Affiliate	Foreign Mktg. Partners	Total	U.S. Corporate	U.S. Franchise	Foreign Corp.	% On-Airport Revenue	% Business Travel Revenue	U.S. Locations On/Off Airport
Avis Rent A Car System <i>Parsippany, N.J.</i>	3,100,000	3,700,000	2,205	985	299	0	287	634	NA	NA	300,000 ¹	15,000	35,000	79 ²	60 ²	345/939
Budget Rent A Car System <i>Parsippany, N.J.</i>	1,400,000	1,900,000	1,814	612	219	0	168	815	NA	NA	300,000 ¹	14,500	16,000	79 ²	29 ²	272/559
Dollar Thrifty Automotive Group <i>Tulsa, Okla.</i>	1,648,828	1,697,000	1,558	243	224	0	53	1,038	NA	158,360	99,012	15,339	4,070	69	4	249/218
Enterprise Holdings ³ <i>St. Louis, Mo.</i>	12,100,000	13,100,000	12,963 ⁴	5,912	201	0	963	587	5,300 ⁴	865,866	760,789	0	105,077	33	20	624/5,489
The Hertz Corp. <i>Park Ridge, N.J.</i>	6,000,000	6,860,000	5,545	2,065	0	1,220	1,140	1,120	NA	444,100 ⁵	288,400	0	155,700	63.5	46.5	516/1,600

¹ Combined total of Avis and Budget brands

² U.S. only

³ Combined total of Enterprise, National and Alamo brands

⁴ Includes locations operated by Europcar

⁵ Corporate-owned locations only

2008 levels, but it is starting to come back.”

Corporate customers “have been aggressive,” Carr said. “They understand the competitive landscape. They are leveraging National and Enterprise. We are taking it case by case. Our costs are still expensive, and are going up, not down.” As such, he said, customers should not expect tremendous negotiating power. “We want to maintain consistent pricing as much as possible, relative to spend,” he said. “Everybody is fighting for share with an eye on the margin for each account.”

Hertz began to see “a modest uptick” in corporate business take hold in January, said senior vice president of global sales Robert Stuart. “Nobody’s really loosening their belts, but in our top 40 or 50 accounts there’s more normalcy in travel patterns.”

Hertz “isn’t going to do crazy things on pricing, but we want the team prepared so they don’t miss any opportunities,” Stuart said. “They want to save a buck, and you have to get creative with them. They’re pushing rate, ancillary revenue, GPS, even blackout dates. You have to weigh the whole picture, and there are so many variables that go into that.”

Lambert also noted that Avis Budget was less than inclined to give significant ground on negotiated rates. “We’ve taken a stronger look at commercial, and we are less flexible, but it’s not just a pure rate play,” Lambert said.

Meanwhile, Avis Budget’s lengthy public flirtation with U.S. no-show fees—in place in some European markets—led to their debut in a handful of U.S. cities, but have been applied only on leisure rentals as part of voluntary offers in which the traveler also receives a discount. The company sees the application of such charges, which levy a fee when renters neither show up nor cancel a reserved car, as in line with other travel supplier practices.

“There’s a great assumption that travel managers will hate this,” Lambert said, “but look at restrictions in the air industry. The travel management world has widely embraced that concept. Nobody wants restrictions, but once we explain to people that they let us manage our assets better so you have a better experience, they understand.” Any expansion of such fees would be gradual, he said, as opposed, for example, to airlines’ checked-bag fees. “That’s another misnomer: We won’t go from zero to 60 overnight. We’re not going to flip the switch.”

Carr said the Enterprise brands have “no current plans for no-show fees.” Stuart said, “We’ve said we’ll evaluate them, but we have nothing to announce,” adding that a system-wide rollout of such fees would be a significant

Hertz’s Estimate Of U.S. On-Airport Marketshare

Brand	2009*	2008	2007	2006	2005	2004	2003
HERTZ	25.7%	27.4%	27.9%	28.5%	29.2%	29.6%	29.0%
AVIS BUDGET GROUP	28.9%	30.0%	30.0%	30.1%	30.7%	30.4%	31.6%
Avis	18.5%	19.6%	19.8%	19.8%	20.2%	20.2%	21.2%
Budget	10.4%	10.4%	10.2%	10.3%	10.5%	10.2%	10.4%
ENTERPRISE	31.4%	29.2%	28.3%	27.4%	26.4%	25.8%	25.8%
National/Alamo	21.2%	20.1%	19.8%	19.7%	19.4%	19.8%	20.8%
Enterprise	10.2%	9.1%	8.5%	7.7%	7.0%	6.0%	5.0%
DOLLAR THRIFTY AUTOMOTIVE GROUP	12.0%	11.3%	11.4%	11.5%	11.4%	12.2%	11.8%
Dollar	7.1%	6.9%	7.1%	7.1%	7.1%	7.7%	7.4%
Thrifty	4.9%	4.4%	4.3%	4.4%	4.3%	4.5%	4.4%
OTHER	2.0%	2.1%	2.4%	2.5%	2.3%	2.0%	1.8%

* Through Sept. 30, 2009

Note: Hertz included this chart in its 2009 annual report filed with the U.S. Securities and Exchange Commission. The data is Hertz’s calculation of car rental marketshare at the approximately 190 largest U.S. airports at which Hertz has company-operated locations. The data is determined on the basis of revenues reported to the airports’ operators on which concession or off-airport permit fees are determined for the indicated periods.

Between the Lines

The Hertz Corp. in April signed an agreement to acquire **Dollar Thrifty Automotive Group** for about \$1.2 billion, but **Avis Budget Group** shortly thereafter announced its intention to make “a substantially higher offer” for the company. At press time, no such offer had been publicly announced, and Dollar Thrifty’s fate remained unclear.

Hertz continued to grow its Connect by Hertz hourly-rate car-sharing program, launching it in Europe late last year. Other providers include **Enterprise’s** WeCar offering, **Sixt’s** SixtiCarClub and dozens of local, regional and national providers, including **ZipCar**, which in June 2010 filed for an initial public offering.

technological undertaking, given the number of available car rental booking platforms.

Car rental companies’ technological advances in the past few years, such as global positioning systems and electronic toll-payment devices, have created other negotiating avenues for some buyers. Creating difficulty in negotiating such deals toll devices, Carr said, is the lack of a unified countrywide electronic toll booth mechanism. “There’s so many ways they are done,” he said. “We’re exploring different

options. It can be frustrating for customers.”

Much of the car rental firms’ solidifying position can be credited to a stronger market for the sale of used cars and the employment of more effective fleet strategies. “Fleet costs haven’t eased off, but the used car market is fairly stable,” Carr said. “We’re holding on to cars longer. Last year, there was contraction, but we have increased our fleet size. We expect pretty good demand. We think contraction is over, and we want to grow again.” ■

Chauffeured Transportation Pulls Out Of Dark Tunnel

BY CHRIS DAVIS

The chauffeured transportation industry in 2009 was a dark place, plagued by plummeting corporate demand, the evisceration of the financial companies that provided a consistent stream of business and the tarring of their product by some as extravagant and unnecessary. Casualties were plenty: Untold numbers of small limo companies died, major suppliers pulled out of entire cities, countless jobs were lost and millions of dollars in revenues evaporated. As time progressed, the U.S. economy approximated a rally, corporations loosened the reins on travel spending, and the beleaguered chauffeured industry began to see some rays of light shine through.

“Investment bankers are still investment bankers, and senior executives are still senior executives,” said Dav El Chauffeured Transportation Network president and CEO Scott Solombrino, pointing to similar stabilization in other corporate travel sectors that appeal to those groups, such as first class air travel, private aviation and luxury hotels. “People want these efficiencies and are a little less worried about a shareholder revolt. They missed those travel cycles.”

Beginning in the early months of 2010, chauffeured suppliers began to see those changing attitudes translate into a sunnier demand outlook. While nobody suggested a full rebound already has taken place, the absence of plummeting demand offered a starting point for a comeback.

“Flat is the new growth,” said BostonCoach president and CEO Larry Moulter.

Still, a sense that the worst of the storm has passed has taken root in the industry. “Companies

are traveling more frequently, and they’re getting back to more typical patterns,” Solombrino said. “They’re seeing the safety and efficiency chauffeured cars offer. Their tolerance level for inconvenience and inefficiencies has gone down. We were wondering if that would ever get back to normal, and it is.”

Changes in corporate demand patterns inevitably beget changes in supplier negotiating strategy, and while corporate travel buyers still can wield significant leverage in those talks, the days when chauffeured suppliers can push back likely isn’t too far off.

“We had a two-year degradation of the chauffeured car sector, and thousands of companies went away,” Solombrino said. “Now, there’s a correction of the supply and demand curve. There’s a supply shortage, and in the next six months we could have some upward pricing momentum for the first time in two years.”

Solombrino repeatedly offered the caveat that any overall economic dip would imperil the segment’s growth, but said, “We’re all in a very aggressive pattern now and trying to understand how improvements in the economy are going to look going forward.”

While corporate volume at EmpireCLS Worldwide Chauffeured Services is “somewhat flat” versus 2009 levels, said chairman and CEO David Seelinger, business from hotels and private aviation clients who offer limousines to their customers has risen.

“There’s not a lot of large carriers anymore,” according to Seelinger. “A

lot of midsize companies went out of business. It doesn’t really change our strategy. We’re not the least expensive provider, but we have competitive pricing, and a large number of customers are not price-sensitive.”

Pricing remains a sticky topic for suppliers, who live in a competitive space and know current corporate travel procurement philosophies dictate the importance of pricing and competitive bids, but also believe their products are differentiated by service and traveler experience.

“We’re selling through operational excellence,” Moulter said. “We want to be meaningful partners with travel managers, CFOs and procurement executives.”

That will happen in three ways, Moulter said. “First is maintaining the core competency: the ride, being on time and exceeding expectations. Second, as customers have downsized, they

need to be smarter and more efficient with their T&E spend, and we’re investing \$9 million in tech upgrades to help that. Third is a systemic approach to managing and controlling spending with management reports and real-time data. Travel managers want to audit spend and drive compliance, and the ability to create reports enables you to reduce spend.”

Introducing that level of report detail—“a big step forward for us,” according to Moulter, including such information as wait and stop times, actual vs. quoted costs and cancellation information—is a reaction to what Moulter said was the rising influence of procurement philosophies in travel management.

“Chauffeured is 2 to 4 percent of T&E spend,” according to Moulter. “People didn’t worry about it. Now, procurement and travel managers worry about ev-

Between The Lines

The Hertz Corp. and **Dav El Chauffeured Transportation** in January 2010 launched a multiyear marketing, sales and distribution partnership primarily designed to cross-promote each company’s services to corporate travelers through Hertz.com and their reservation centers. The agreement is not reflected in third-party online booking systems, and, unlike a 2007 purchase of a stake in **Carey International** by **Avis Budget Group**, no interest in Dav El was purchased by Hertz. Avis Budget currently holds a 47.9 percent ownership stake in Carey.

Praesidian Capital Investors, a provider of mezzanine capital for small and midsize companies, in September 2009 invested \$10 million of senior secured debt in **EmpireCLS Worldwide Chauffeured Services**.

EmpireCLS played a part in a deal between **American Express** and **Hilton Hotels Corp.** to launch a co-branded premium credit card. Users of the Hilton HHonors Surpass Card from American Express can receive discounts, complimentary upgrades and bonus Hilton HHonors loyalty points from EmpireCLS.

Chauffeured Transportation Companies

Company	LOCATIONS								Corporate/ Systemwide Fleet	Business Travel Percentage of Revenue	Percentage Airport/Off-Airport Revenue
	2009 Systemwide Revenue (\$000)	2008 Systemwide Revenue (\$000)	Total Locations	U.S. Corporate Locations	U.S. Affiliate Locations	International Corporate Locations	International Affiliate Locations				
BostonCoach <i>Boston, Mass.</i>	83,000	128,000	462	7	401	0	54	337/35,000	95	70/30	
Carey International <i>Washington, D.C.</i>	355,000	370,000	556	45	336	18	336	1,950/17,180	95	45/55	
Dav El Chauffeured Transportation Network <i>Chelsea, Mass.</i>	209,084	216,052	617	11	355	0	251	NA/13,320	93	46/54	
EmpireCLS Worldwide Chauffeured Services <i>Norwood, N.J.</i>	107,000*	113,000*	690	3	485	0	205	915/15,000	70	60/40	

*BTN estimate

ery penny.”

Moulter said BostonCoach has picked up 73 new corporate clients since he became president and CEO in July 2008, but he criticized request-for-proposals-based procurement approaches. “Clients who want an RFP generally want to commoditize it,” he said. “With RFPs, it can be a 250-day sales cycle. That produces waste, and it’s an old way of doing things.”

That said, it was also a way of doing things that had grown in prominence in the past few years, with the recession certainly not lessening anybody’s emphasis on price. “A lot of corporations we service went out to bid for better prices, and we captured some of that,” Seelinger said, adding that EmpireCLS is “not to quick to respond” to RFP-based corporate procurement efforts, but “of course we participate. We renegotiated pricing in certain markets, and we did not lose a customer.”

EmpireCLS is pushing technological development, Seelinger said, including electronic confirmations that include carbon

emissions information for all trips, automatic posting of limousine charges to hotel room bills and planned applications for Apple’s iPhone and iPad that will include reservation and detailed chauffeur information.

“Corporate due diligence has increased dramatically,” Seelinger said. “Companies are doing it the way it should be done. They are ensuring services, engaging the company, seeing how the offices operate internally and how they ensure services and safety.”

Given the level of upheaval on the supplier side of the chauffeured transportation industry, speculation persists that some significant changes in the competitive roster could occur. Seelinger encouraged that line of thinking.

“I can almost guarantee you that we will do more than one transaction,” said Seelinger, whose company in 2009 received \$10 million in funding from Praxidian Capital Investors. “That’s definitely coming. It’s just an issue of timing, the economy and lending sources. I hope one happens before the end of the year.”

Dav El pulled out of no cities during the downturn, a move that Solombrino said has enabled him to increase the company’s marketshare. “We were the only company to make the choice not to close cities down,” Solombrino said. “Maybe it wasn’t the best financial decision, but it was the best strategic decision for marketshare, and now we’re reaping the benefits.”

One deal that already has occurred in 2010 is a marketing, sales and distribution partnership between The Hertz Corp. and Dav El, in which no equity changed hands.

“The size and breadth of the Hertz brand has been extraordinarily helpful to me,” Solombrino said. “We’re in the res systems, on websites, and we’re cross-selling and cross-marketing. Every conceivable way we can integrate, we’re offering a seamless way to book.”

“We’re still navigating that, but it is another solution,” added Hertz Corp. senior vice president of global sales Robert Stuart. “It gives you something else in the toolkit.”

That deal followed a 2007 investment in Carey International by Avis Budget Group, which currently owns 47.9 percent of the chauffeured transportation supplier.

“Not a lot has changed, and we talk about it with customers when appropriate,” said Avis Budget senior vice president of commercial sales Bob Lambert. “There are a few places where we’ve been successful, but it’s not earth-shattering. Chauffeured transportation experienced maybe more of a downturn than we did. Hopefully, things are improving.”

Those signs are on the table, according to the chauffeured executives, who now see themselves as being in a position to push the service initiatives that are the bread and butter of their industry.

“One good thing about the downturn is that it let us refocus on our day-to-day operations, with plenty of time for training and re-training,” according to Solombrino, who specifically cited passengers’ experience with drivers. “Chauffeured is always going to be about the experience.” ■

Card Charge Volumes Rebound From Last Year's Depths

BY MICHAEL B. BAKER

Corporate payment charge volumes in 2009 painted a clear picture of travel spending cuts, though issuers expect those volumes to rebound this year. In the meantime, corporate card vendors are enhancing data offerings and global performance capabilities in response to increased demand from travel buyers.

Most major corporate card issuers saw year-over-year volume decreases in 2009. American Express reported overall commercial card volume worldwide was down almost 9 percent from 2009 levels, while U.S. Bank reported its volumes fell almost 16 percent. Jeff Rankin, senior vice president and senior sales and marketing officer for U.S. Bank's corporate payment systems unit, said the bank was able to mitigate some of that by growing its client base.

"U.S. Bank was the leader of the pack in terms of being a good, strong, solid financial institution," Rankin said. "We continue to see a flight to quality, whereas customers in the past might have accepted a commercial card service based solely on the pricing."

AirPlus International, the leading issuer of the Universal Air Travel Plan, reported its global charge volume dropped by €17.1 billion, about 6 percent.

"2009 was a year where travel managers reacted severely to the recession," said AirPlus CEO Patrick Diemer. "Volume from existing customers was down 20 percent, half of that because of lower ticket prices and half of that because of less travel."

Payment issuers and networks are optimistic about volumes this year. All issuers who responded as to their expectations for 2010 said volumes would rise from 2009 levels. Diemer said he expects to see two-thirds of the volume lost in 2009 return this year. "With a little bit of luck, this year will come back to a 2008 situation," he said.

U.S. Bank's Rankin expects double-digit percentage volume growth this year. "Customers are still being very judicious about their airline contracts and preferred hotels, and we're seeing better management today than we've ever seen in the past," he said. "Even with that, our customers are working on growing their business, and we expect to see that continue through the remainder of the year, depending on the economic situation."

Payment Networks

Payment Network	Acceptance: # Of Merchants	Acceptance: # Of Countries	Cards Issued On Platform	Worldwide ATMs Available For Cash Advances	Charge Per Transaction For Foreign Exchange
American Express	ND ¹	125 ²	7.1 million ³	900,000	2.5%
Diners Club	ND ¹	200 ⁴	ND	675,000	ND
MasterCard Worldwide	30.2 million	210 ⁴	1.6 billion ⁵	1.7 million	Issuer-defined
Visa	30 million*	200 ⁴	1.8 billion ⁵	1.6 million	Issuer-defined

*BTN estimate

¹ Reports acceptance as "millions of merchants around the globe."

² Measured in markets

³ Total number of commercial cards issued worldwide

⁴ Includes both countries and territories where networks do business

⁵ Total cards issued, not just commercial products

Between The Lines

BMO Financial Group in November reached an agreement to acquire **Citigroup's Diners Club** North America franchise, giving it exclusive rights to issue Diners Club cards to Canadian and U.S. corporations. That deal closed earlier this year, and the franchise's volume is included in BMO's total.

Bank of America at the beginning of the year completed its purchase of **Merrill Lynch & Co.**, giving it the largest wealth management business in the world.

All issuers, with the exception of Bank of America Merrill Lynch, have a separate meetings card offering. **U.S. Bank** reports 400 such cards issued as of Dec. 31, 2009.

Citi and **JPMorgan Chase** did not submit data to *Business Travel News* this year. Information in the charts is based on the latest data available to *BTN*.

A 2010 CFO Research/American Express Global Business and Spending Monitor, fielded in February, indicated that 26 percent of 479 financial executives surveyed said they plan to increase travel spending this year, part of 57 percent overall who either will maintain or increase such spending. In a similar survey in 2009, only 2 percent of respondents expected an increase in travel spending.

"Overall, we're seeing some positive signs of stabilization and growing optimism about recovery," according to Wendy Prewitt, vice president of American Express' global commercial card

sector. "Companies are really balancing that with some of the policies, controls and disciplines they put into place over the prior year."

Despite the deep recession, a few issuers still saw volumes increase in 2009. Bank of America Merrill Lynch reported its corporate travel and entertainment expense volumes were up by 5 percent compared with 2008. The biggest volume jump, however, appeared in BMO Financial Group's volume, thanks to its late-year acquisition of the North American franchise of Diners Club from Citigroup.

The Toronto-based bank, a growing pres-

ence in the U.S. T&E card market in recent years, added about \$7.8 billion in card transactions to its portfolio, while breathing new life into what had become a fading brand. Citi, which has its own corporate card program, had largely relegated it to midmarket accounts.

"The brand was weak and almost dying on the vine with Citi," said Terry Wellesley, BMO's managing director of spend and payment solutions. "Clients were happy to see a solid bank take over this brand, put energy behind it and show a commitment to continue its growth going forward."

Diners Club customers in North America will migrate off the Citibank platform in about a year, and Diners and BMO sales forces will be fully integrated by November, Wellesley said. "The integration has gone well beyond what we thought it would be," he said. "Sometimes cultures collide, but collectively, these teams have worked well together for their mutual benefit."

Looking just within the United States, AirPlus also saw its volumes increase year over year, said president Richard Crum. While its clients faced the same cutbacks as everyone else, AirPlus reported 12.6 percent growth in customers compared with 2008, leading to a 1.4 percent increase in total account volume, he said.

The UATP network earlier this year also broadened its acceptance to include its first hotel vendor, La Quinta Inns & Suites. The deal came from a trial run in 2009 with La Quinta and UATP client Wal-Mart, which uses the network with American Airlines as its issuer, and UATP now hopes to generate more partnerships with other hotel and car rental suppliers.

One of the drivers of AirPlus and UATP's growth has been an industrywide shift by corporations from individual bill and payment options to centrally billed and paid programs. AirPlus and the Association of Corporate Travel Executives partnered earlier this year to create a white paper on centrally billed pro-

grams as a best practice, surveying 186 ACTE members worldwide. Of those surveyed, more than half said they viewed ghost or lodge cards more favorably than other payment tools.

Rafael de la Vega, head of large and middle market for Visa Commercial Solutions, said he sees a slight shift toward central bill and pay, particularly in the United States. Central bill and pay in general always has been the predominant practice outside of the United States, while U.S. corporations traditionally have favored individual bill and pay.

"There's a little more shift," de la Vega said. "We are not actively tracking that shift, but

fer the bigger salaries can do that as a perk."

Data enhancement also remained a focus for the corporate card vendors in 2009. Visa in September launched a new reporting and expense management tool, Visa IntelliLink Spend Management, particularly for large and midmarket companies.

While getting more data always has been a priority for expense managers, the economic downturn pushed many of them to be able to better manage that data, de la Vega said.

"Companies, in the past, always asked for as much data as they could get, but they never used it in proportion to the amount that they

"Companies didn't use data in proportion to what they got. Now, we've seen them use data to make good sourcing decisions."

based on questions we've seen from banks and the requests for proposals that we've seen, it's clearly a trend."

Companies are attracted to central bill and pay because of a combination of efficiency and better risk management, without having to worry about employees missing payments, de la Vega said. Midmarket and small companies also have better access to automated expense reporting systems, which give them the data-monitoring capabilities necessary to maintain central bill and pay programs, BMO's Wellesley said.

The decision also is tied to whether companies want to offer reward programs on corporate cards to their travelers, which isn't possible in the central bill and pay setup, he said. "The big guys, like the IBMs of the world, don't do that because they want the rebate," he said, "but midsized companies that can't of-

got," he said. "Recently, we've seen them use the data to make very good sourcing decisions to a very good outcome."

American Express in recent months has expanded its partnership with expense management tool supplier Concur to offer an expense management system for small and midmarket companies, Concur Breeze, sold through the new Google Apps Marketplace. It also gained a new partner, Ritz-Carlton, in providing electronic folio data that itemizes hotel spending across all its North America properties.

These data needs increasingly are taking a global scope. BMO's Wellesley, whose ability to handle global programs increased considerably with the Diners Club acquisition, said global payment needs no longer are the province of large companies.

"Midsize is moving much faster to large size,

About These Charts

This section's charts include major North America-based issuers of corporate cards, as well as the charge card networks with which they are associated. The bank networks, MasterCard and Visa, offer core card products that issuers can market "as is" or with enhancements. American Express issues its own cards.

Vendors provided all information for the year ending Dec. 31, 2009. In cases where information was not reported, *BTN* made estimates based on industry knowledge and previous information provided by those companies. In some instances, figures published in last year's survey were restated based on new information. Whenever possible, *BTN* separated travel and entertainment from such other commercial card area as purchasing.

Payment Systems

Card Issuers	Dollar Volume Charged By U.S.-Based Corp. T&E Accounts In 2009 (\$000)	Dollar Volume Charged By U.S.-Based Corp. T&E Accounts In 2008 (\$000)	Number Of Corporate T&E Cards issued In The U.S. As Of 12/31/2009	Fee Per Card ¹	Payment Network	Full-Value Collision & Loss Coverage At No Extra Charge ²	Travel Accident Insurance Coverage/ Door-To-Door	Currencies Available For Int'l Reporting	Frequent Flier Mile-Based Loyalty Program	Purchasing Card Volume in 2009	Number of One-Cards (Purchasing, T&E, And/Or Fleet)	Fee Per Foreign Transaction
American Express ³	111,200,000	122,000,000	7,100,000	\$0-\$395	American Express	None/ Coverage is \$4 per rental	\$350,000-\$500,000 ⁴ / Yes	ND	Yes	ND	None	2.5%
Bank of America/ Merrill Lynch	2,200,000	2,095,238*	304,000	ND	MasterCard/ Visa ⁵	Primary	\$500,000/Yes	4	No	\$13.7 billion	193,000	1.0%
BMO Financial	5,800,000	1,200,000	ND	ND	MasterCard	Primary/ Secondary	\$500,000/Yes	2 ⁶	Yes	\$4.8 billion	ND	ND
Citi	2,870,000*	3,500,000	ND	ND	MasterCard/ Visa	Primary	\$350,000/Yes	ND	No	ND	ND	ND
JPMorgan Chase	4,800,000*	5,900,000*	920,000*	\$0-\$35	MasterCard/ Visa	Primary	Varies/ Optional	ND	Yes	ND	ND	ND
U.S. Bank	5,024,557	5,883,953	924,344	None	Visa	Primary	\$250,000-\$500,000 ⁷ / No	50+	No ⁸	\$20.47 billion	181,129	2.5%

*BTN estimate

¹ All major issuers will waive fees for corporate clients.² Under primary coverage, insurance is the first payer for accident damage. Under secondary coverage, insurance kicks in only after other insurance, including personal and auto coverage, is exhausted.³ Includes all commercial cards issued worldwide, not just T&E specific cards. Does not include Open Small Business or non-proprietary commercial cards issued on bank partner networks.⁴ \$350,000 for green cards, \$400,000 for gold cards, \$500,000 for platinum cards⁵ 95 percent of issued cards are on the Visa platform.⁶ Also offers global programs through Diners Club International⁷ \$250,000 for one card, \$500,000 for corporate card⁸ Reward programs accrues points based on spend, which cardholders may use to purchase airfares.

with the ability to transfer and move goods and services electronically," Wellesley said. "We're seeing a lot more RFPs talking to global capabilities."

Visa's de la Vega also reported an increase in demand for global programs and said Visa has created a special service to target mid-sized companies with global needs. "These are not Fortune 100 companies, but small companies in NAFTA, or with three countries in the European Union or five in Asia/Pacific," he said. "There's a lot of demand from that segment."

Networks are increasing their global footprint as well. Earlier this year, for example, American Express launched its first business travel account in Russia, a ruble product issued by American Express Bank in Russia. The account, a cardless, centrally billed account, gave Russian companies new opportunities to control travel bookings and expenses, according to American Express.

Meeting cards continue to be an area of growth for issuers and networks. Visa launched a new meeting card in 2008, and while de la Vega said growth was slow when meeting demand was still low, interest in the card has

picked up considerably as meetings make a comeback.

U.S. Bank's Rankin said interest in the issuer's meeting card has grown steadily over the past few years, as clients see them as good negotiating tools with hotels.

"If I've got a meeting card, I can go to Marriott or Hilton and remind them that I did

"As companies get more efficient in managing their expenses, it'll be much easier to give prepaid cards to nonfrequent travelers rather than giving cash advances."

12 meetings with them last year and spent \$180,000," he said. "That way, I can be treated like a \$180,000 customer rather than a \$10,000 customer 12 or 13 times.

Issuers and networks in the past year also

have enhanced prepaid card offerings, as they begin to have more T&E applications. MasterCard, for example, last year lent its processing capabilities and brand name to a prepaid card supplied by foreign exchange and international payments supplier Travelex. The cards allow corporations to set spending or per diem levels for contractors or one-time travelers who do not have corporate cards.

More recently, JPMorgan Chase announced single-use accounts for midmarket customers, which it defines as those with under \$500 million in corporate revenues. The cards could have T&E uses, such as booking flights for contractors or paying the master folio bill following a meeting, said Chase commercial card product executive director Lisa Steury.

Visa's de la Vega said such cards stand to play an even bigger role for travel and expense managers in the years ahead. "There's a lot of interest from the corporate world, for now mostly with incentive cards, relocation expenses and some payroll, but not T&E," he said. "As companies get more efficient in managing their expenses, it'll be much easier to give prepaid cards to nonfrequent travelers rather than giving cash advances." ■

Buyers Drove Rate Cuts In Worst Year Ever For Hotels

BY MICHAEL B. BAKER

Directions and projections for the hotel industry varied wildly throughout the last year, but hoteliers and analysts could agree on at least one point: 2009 ranks as the worst year the industry has seen in its history.

For the full year, U.S. hoteliers saw occupancy drop to 55.1 percent, down 8.7 percent from 2008 levels, and average daily rates plummeted by 8.8 percent, according to Smith Travel Research. As a result, revenue per available room dropped by 16.7 percent, year over year. Corporate travel buyers, meanwhile, found themselves constantly returning to the negotiation table to keep up with rate drops.

"What happened last year was really the perfect storm," Best Western CEO David Kong said at this month's New York University International Hospitality Industry Investment Conference. "Demand went down substantially, almost 6 percent, and at the same time supply grew by 3.2 percent."

Corporate demand was at the heart of that drop, leaving few possible directions besides up this year. "Corporate business just fell off

a cliff, group and transient," said Monty Bennett, CEO of upscale and upper upscale hotel owner Ashford Hospitality. "When all these companies cut back all corporate travel, they made their profits by cutting expenses. Now that they're looking to grow profits, they can't cut expenses anymore."

As that demand has begun to improve, however, hoteliers are seeing increasingly sunnier forecasts for 2010. Both Smith Travel Research and PKF Hospitality in recent weeks have reversed calls for year-over-year declines in revenue per available room this year, instead expecting a slight increase.

To this point, upticks in occupancy have not translated into upticks in rates, though they have largely stabilized. Marriott president and COO Arne Sorenson said he expected they would, however, "very, very soon."

"If you look at the cycles in history, the years after a recession have been spectacular," Sorenson said. "In some markets, we're already seeing positive rate growth."

Richard Kelleher, CEO of full-service hotel owner Pyramid Hotel Group, said the depth of the drop could indicate a speedy rebound. "Looking at the five cycles since the 1970s,

this one has been the worst and the deepest, and this one can be the fastest recovery," he said. "Based on the numbers we've seen through the first quarter into May, let's just hope that this trend line continues."

Sorenson said corporate and group rates negotiated in the past year were the reason industry figures have not yet shown a recovery in rate. "We booked whatever group business we could find with a pulse in the last year, and the rates of that business are not great," he said. "We've got to work our way through some of that."

InterContinental Hotels Group chief executive Andrew Cosslett said the Asia/Pacific region in particular already is seeing rate increases. Best Western's Kong said increasing corporate rates at hotels across other regions would be a necessity this year.

"We have to raise the rates," Kong said. "The rates we have up to this point are not sustainable. We have to increase rates to have a viable business."

Adam Weissenberg, vice chairman and U.S. leader of Deloitte & Touche's tourism, hospitality and leisure sector, said results will vary by market, but buyers should expect rate hikes at least in the quicker rebounding markets, such as New York. Some markets outside the United States, particularly in the Asia/Pacific region, already are recording rate increases.

"No one wants to say anything too aggressive, but there will be some increases," Weissenberg said. "I can't imagine it's going to be flat across the board."

Analysts and hoteliers said group business recovery would be key to any rate growth.

Between The Lines

With little major merger and acquisition activity in 2009, the top hotels by systemwide revenues, number of hotels and number of rooms changed little from 2008. Both **Marriott** and **Hilton** overtook **Wyndham**, the company with the most hotels, in terms of number of rooms, but **IHG** remained the largest both in rooms and revenue.

A joint venture of **Thayer Lodging Group** and **Shanghai Jin Jiang International Hotels Co.** acquired **Interstate Hotels and Resorts** in March.

Wyndham Hotel Group acquired the 91-property, midprice **Tryp** hotel brand from **Sol Melia Hotels & Resorts** in June 2010. Pending its close, the \$43 million deal gives Wyndham development control of the brand, though Sol Melia will continue to own and operate the existing Tryp hotels.

Dallas-based investment firm **Lone Star Funds** completed an acquisition of **Lodgian** for \$270 million in April. Lodgian had significantly trimmed its portfolio in recent years and reported more than a \$50 million loss in 2009.

Extended Stay Hotels filed for bankruptcy in June 2009, facing \$7.6 billion in debt compared with \$7.1 billion in assets at the end of 2008. A group led by **Centerbridge Partners** successfully bid \$3.9 billion for the company in May.

About These Charts

These charts cover hotel companies that own, manage or franchise hotels globally and break down the hotels by type of ownership wherever possible.

Hotels in which companies hold a minority interest are not included, unless otherwise indicated. For companies based outside the United States, revenue figures were converted to U.S. dollars using the exchange rate from Dec. 31 of the year for which the revenues were reported. Unless otherwise noted, the companies provided all data as of Dec. 31, 2009.

Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
ACCOR	4	7,493,020 ¹	8,500,000	2,262	574	1,275	4,111	NA	492,675	NA	3,059
Paris, France											
Adagio				8	20	1	29				
All Seasons				18	10	47	75				
Coralia Club				0	6	0	6				
ETAP Hotel				200	7	196	403				
Formule 1				294	10	47	351				
Ibis				489	90	282	861				
Mercure				241	206	252	699				
Motel 6				640	0	361	1,001				
Novotel				241	105	49	395				
Pullman				24	18	4	46				
Sofitel				31	84	6	121				
Studio 6				40	0	19	59				
SuiteHotel				17	3	6	26				
Other				19	15	5	39				
AMERICINN	52	174,000	190,000	6	23	192	221	60	12,285	NA	0
Chanassen, Minn.											
ASHFORD HOSPITALITY ¹	22	916,595	1,136,460	102	0	0	102	NA	22,141	NA	0
Dallas, Texas											
Courtyard by Marriott				20	0	0	20				
Crowne Plaza				2	0	0	2				
Doubletree				1	0	0	1				
Embassy Suites				14	0	0	14				
Fairfield Inn				2	0	0	2				
Hampton Inn				6	0	0	6				
Hilton Garden Inn				1	0	0	1				
Hilton				11	0	0	11				
Historic Inns				1	0	0	1				
Homewood Suites				1	0	0	1				
Hyatt				1	0	0	1				
JW Marriott				1	0	0	1				
Marriott				6	0	0	6				
One Ocean Resort				1	0	0	1				
Renaissance				1	0	0	1				
Residence Inn				14	0	0	14				
Sheraton				5	0	0	5				
SpringHill Suites				12	0	0	12				
TownePlace Suites				1	0	0	1				
Westin				1	0	0	1				
BEST WESTERN INT'L	5	6,600,000 ²	7,800,000 ²	NA	NA	NA	4,038	NA	308,237	29	1,806
Phoenix, Ariz.											
CARLSON HOTELS WORLDWIDE	8	5,800,000	7,500,000	9	33	1016	1058	NA	159,756	249	452
Minnetonka, Minn.											
Country Inns & Suites				4	5	485	494				

Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
Park Inn				0	0	100	100				
Park Plaza Hotels & Resorts				0	5	30	35				
Radisson Hotels & Resorts				5	21	396	422				
Regent Hotels & Resorts				0	2	5	7				
CHOICE HOTELS INT'L	7	6,200,000³	5,600,000³	0	0	6,021	6,021	NA	487,410	843	1,124
Silver Spring, Md.											
Ascend Collection				0	0	29	29				
Cambria Suites				0	0	18	18				
Clarion				0	0	296	296				
Comfort Inn				0	0	1,985	1,985				
Comfort Suites				0	0	618	618				
Econo Lodge				0	0	846	846				
MainStay Suites				0	0	37	37				
Quality				0	0	1,354	1,354				
Rodeway Inn				0	0	375	375				
Sleep Inn				0	0	402	402				
Suburban Extended Stay				0	0	61	61				
CRESTLINE HOTELS & RESORTS	35	550,000	630,000	6	60	0	66	90	13,519	0	0
Fairfax, Va.											
Courtyard by Marriott				2	7	0	9				
Crowne Plaza				0	3	0	3				

Hilton Worldwide president and CEO Christopher Nassetta said group business in recent months has rebounded much more quickly than expected. While group business in November and December was down about 15 percent year-over-year, by the end of April, it was 7 percent up from the previous year.

“It’s not the kind of group we’re necessarily used to, and it’s not necessarily altogether the groups we want longer-term: very short-window, small- and medium-sized groups,” according to Nassetta, “but that’s where we’re seeing the most momentum.”

Typically in downturns, group and transient business demand decline in comparable levels, said W. Edward Walter, president and CEO of Host Hotels & Resorts, which owns 110 hotels largely in the upper upscale and luxury tiers. In the past two years, however, Host saw group room nights fall in the 18 percent to 20 percent range, compared with a 4 percent to 5 percent decline in transient room nights, he said. While group typically represents about 42 percent of Host’s business, it has fallen to about 37 percent, he said.

Even so, Host has been investing heavily in group business infrastructure, including about \$250 million in its ballrooms in Chicago, Atlanta, Fort Lauderdale and San Diego, Walter said. “As



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Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
Fairfield Inn & Suites				0	2	0	2				
Four Points by Sheraton				0	1	0	1				
Hampton Inn				0	1	0	1				
Holiday Inn				0	3	0	3				
Homewood Suites				2	1	0	3				
Hilton				0	3	0	3				
Hilton Garden Inn				1	7	0	8				
Marriott				0	6	0	6				
Renaissance				0	2	0	2				
Residence Inn				0	2	0	2				
Sheraton				0	3	0	3				
SpringHill Suites				0	1	0	1				
Staybridge Suites				0	1	0	1				
TownePlace Suites				0	1	0	1				
Westin				0	3	0	3				
Other				1	13	0	14				
DAVIDSON HOTEL CO.	39	406,343	465,000	0	37	0	37	75	10,420	0	0
Memphis, Tenn.											
Crowne Plaza				0	1	0	1				
Doubletree				0	3	0	3				
Embassy Suites				0	1	0	1				
Hilton				0	10	0	10				
Hilton Garden Inn				0	1	0	1				
Holiday Inn				0	1	0	1				
Hyatt				0	2	0	2				
Marriott				0	1	0	1				
Radisson				0	1	0	1				
Renaissance				0	3	0	3				
Sheraton				0	6	0	6				
Westin				0	3	0	3				
Other				0	4	0	4				
DENIHAN HOSPITALITY GROUP	48	207,000	206,000	9	3	0	12	80	2,984	1	0
New York, N.Y.											
Affinia				6	1	0	7				
The Benjamin				1	0	0	1				
The Buckingham				0	1	0	1				
The Eastgate Plaza				0	1	0	1				
The James				1	0	0	1				
The Surrey				1	0	0	1				
DESTINATION HOTELS & RESORTS	34	561,833	599,527	1	31	2	34	48.3	8,140	0	0
Englewood, Colo.											
Embassy Suites				0	0	1	1				
InterContinental				0	0	1	1				
Other				1	31	0	32				

we see group business recover, our expectation is that we'll not only get back to the 42 percent level but that we'll get higher than that," he said.

The affiliate company that manages about half of upscale and upper upscale hotel owner Ashford Hospitality's properties hit its monthly group booking goals in March for the first time in two years, Bennett said, "and that's not because we're lowering the goals."

Demand growth is not tied solely to group resurgence. La Quinta Inns & Suites, which does relatively little group business, has seen its demand return quicker than expected, said executive vice president and chief marketing officer Julie Cary.

"We performed better than expected these last two months," Cary said. "We didn't expect to turn positive until June."

Mark Lomanno, president of Smith Travel Research, said that while hotels might begin to see year-over-year upticks in average daily rate as early as this month, full rate recovery for U.S. hotels is still several years off. Following the previous downturn, it took four years to regain rate levels in absolute dollars, and with rates falling for the past year and a half, it probably will take longer this time, he said.

Currently, U.S. group demand is down about 5 million room nights on a monthly basis from where it was in 2008, according to Lomanno. For rates to recover, not only will that group demand have to come back, but meeting planners also will have to move away from the short-term booking windows that have come to dominate the industry.

"The group part of the business is where the foundation is, where there are rooms on the books to give confidence in pricing rooms," Lomanno said. "The fact that there's not that foundation of rooms on the books, and people are booking late, really conspire to make it a difficult pricing environment."

Deloitte's Weissenberg said recent airline capacity cuts actually would help hotels in that regard. As their passenger volumes rebound and they operate nearer to full capacity, corporate and group travelers once again will have to make their bookings further in advance, he said.

Beyond 2010, the supply picture has hoteliers even more bullish on potential pricing, meaning travel buyers in a few years could be facing difficult pricing situations, similar to what they saw in 2006 and 2007. Many projects, particularly in the upper upscale and luxury tiers, have been delayed or scuttled

Hotel Company Statistics, 2009 Top 10 By Revenue

1	IHG	\$16.8 billion
2	Marriott	\$11 billion
3	Hilton	\$7.8 billion*
4	Accor	\$7.5 billion
5	Best Western	\$6.6 billion
6	Wyndham	\$6.5 billion*
7	Choice	\$6.2 billion*
8	Carlson	\$5.8 billion*
9	Starwood	\$4.8 billion
10	Host	\$4.2 billion

*BTN estimate

Top 10 By Number Of Rooms

1	IHG	646,679
2	Marriott	595,461
3	Hilton	590,621
4	Wyndham	587,674
5	Accor	492,675
6	Choice	487,410
7	Best Western	308,237
8	Starwood	298,522
9	Carlson	159,756
10	Hyatt	120,031

completely during the downturn, and financing for new projects has remained tight.

Laurence Geller, president and CEO of Strategic Hotels & Resorts, said that if demand continued on its present upward trajectory with little supply entering the market, it would be leading to a situation in which hoteliers "in theory have infinite pricing capacity for the first time ever in this industry."

It's not that the major hotel companies are not developing. Much of that development, however, is on the international front. Starwood Hotels & Resorts, for example, has reported that 70 percent of its hotel openings this year will be outside of North America.

Lalia Rach, divisional dean of NYU's Tisch Center for Hospitality, Tourism and Sports Management, said the development focus for most major brands will continue to center around development in India and China. Hoteliers are looking to capitalize on the rising middle class in those countries, who soon will travel more frequently, she said.

"Together, these countries have 2.4 billion

people," she said. "The middle class in China as estimated is larger than our entire country, and it's the rising middle class that then will become domestic tourists."

Brazil also would be a developmental focal point, as the country is poised to become a dominating member of the global society, Rach said. Hotels also are looking for further development in Eastern Europe, though financial and structural problems preclude some of that growth, she said.

Within the United States, most development is expected to center on adding mid-price and limited-service properties into urban markets lacking in those tiers. "Does that mean you won't see any four- or five-star builds? No, but the luxury model for the last decade has been built upon mixed-use," Rach said. "That's how they got the funding and went forward. Are they going to be able to sell that business model anymore, because who's buying those apartments?"

Although the overall sentiment in the hotel industry has shifted to optimism, it still faces some potential snags that could derail a recovery. IHG's Cosslett said hotels' pricing strength also could be undercut as governments begin to crack down on their travel costs, particularly in Europe.

"Whilst corporations have taken the axe to their travel programs, it has not been true of governments," Cosslett said. "The austerity measures which now every government across Europe in particular and the rest of the world are looking at are going to take vast amounts out of the marketplace. That could potentially be a problem, because we are an industry that relies on government business."

During the downturn, many corporations increased their use of remote conferencing technology, particularly for internal meeting purposes, and they have indicated that they would continue to use the technology even after economic recovery. At the same time, both Marriott and Starwood in the past year have added remote conferencing capabilities to gateway properties as an added revenue source.

"We're trying to offer that technology to businesses that can't afford the installment in their offices," Marriott's Sorenson said. "It seems reasonably clear that they are best suited for relatively small meetings, maybe a dozen people max."

Hoteliers, however, remain confident that such technology will not replace larger groups and customer-facing travel.

"For now, there's something to being in a

Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
DIAMONDROCK HOSPITALITY CO. ¹	32	575,681	693,234	20	0	0	20	NA	9,586	NA	0
Bethesda, Md.											
Conrad Hotels & Resorts				1	0	0	1				
Courtyard by Marriott				2	0	0	2				
Marriott				11	0	0	11				
Renaissance				4	0	0	4				
Westin				2	0	0	2				
DOLCE HOTELS & RESORTS	44	260,000	316,000	0	25	0	25	81.9	4,997	1	8
Montvale, N.J.											
DONOHUE HOSPITALITY SERVICES	56	119,400	120,100	0	11	0	11	70	2,477	0	0
Washington, D.C.											
Courtyard by Marriott				0	1	0	1				
Hilton Garden Inn				0	2	0	2				
Holiday Inn				0	3	0	3				
Holiday Inn Express				0	1	0	1				
Residence Inn				0	4	0	4				
DRURY HOTELS CO.	43	325,000	346,000	124	0	0	124	60	17,208	3	0
St. Louis, Mo.											
Best Western				2	0	0	2				
Broadview Hotel				1	0	0	1				
Drury Inn				98	0	0	98				
Hampton Inn				3	0	0	3				
Holiday Inn Express				1	0	0	1				
Marv Herzog Hotel				1	0	0	1				
Posada Ana Inn				1	0	0	1				
Pear Tree Inn				13	0	0	13				
Staybridge Suites				1	0	0	1				
Thrifty Inn				3	0	0	3				
EXTENDED STAY HOTELS	23	900,000*	1,000,000*	686	0	0	686	NA	76,384	0	3
Spartanburg, S.C.											
Crossland Economy Suites				34	0	0	34				
Extended Stay America				365	0	0	365				
Extended Stay Deluxe				109	0	0	109				
Homestead Studio Suites				132	0	0	132				
Studio-PLUS Deluxe Studios				46	0	0	46				
FAIRMONT RAFFLES HOTELS INT'L	12	2,500,000*	2,400,000*	7	85	2	94	NA	35,831	22	76
Toronto, Canada											
Fairmont Hotels & Resorts				4	55	0	59				
Raffles Hotels & Resorts				2	6	0	8				
Swissotel Hotels & Resorts				1	24	2	27				
FELCOR LODGING TRUST ¹	18	908,701	1,102,912	83	0	0	83	NA	23,854	NA	2
Irving, Texas											
Doubletree				7	0	0	7				
Embassy Suites				47	0	0	47				
Hilton				2	0	0	2				

Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
Holiday Inn				15	0	0	15				
Marriott				1	0	0	1				
Renaissance				2	0	0	2				
Sheraton/Westin				9	0	0	9				
FOUR SEASONS HOTELS & RESORTS⁴	13	2,400,000*	3,000,000*	0	83	0	83	NA	19,418*	NA	NA
Toronto, Canada											
HEI HOSPITALITY	40	400,000	400,000*	32	0	0	32	NA	8,000	1	0
Norwalk, Conn.											
Crowne Plaza				1	0	0	1				
Hilton/Embassy Suites				9	0	0	9				
Marriott/Renaissance				10	0	0	10				
Starwood brands				11	0	0	1				
Other				1	0	0	1				
HERSHA HOSPITALITY TRUST¹	45	220,490	245,193	65	0	0	65	NA	7,570	NA	0
Philadelphia, Pa.											
Comfort Inn				2	0	0	2				
Courtyard				7	0	0	7				
Fairfield Inn				2	0	0	2				
Hampton Inn				11	0	0	11				
Hawthorne Suites				1	0	0	1				
Hilton Garden Inn				3	0	0	3				
Holiday Inn				1	0	0	1				
Holiday Inn Express				8	0	0	8				
Holiday Inn Express & Suites				2	0	0	2				
Marriott				1	0	0	1				
MainStay Suites				1	0	0	1				
Residence Inn				10	0	0	10				
Sheraton				1	0	0	1				
Sleep Inn				1	0	0	1				
SpringHill Suites				2	0	0	2				
Summerfield Suites				7	0	0	7				
TownePlace Suites				1	0	0	1				
Other				4	0	0	4				
HILTON WORLDWIDE	3	7,800,000*	8,500,000*	NA	NA	NA	3568	NA	590,621	247	424
McLean, Va.											
Conrad Hotels & Resorts							17				
Doubletree							227				
Embassy Suites							204				
Hampton							1,744				
Hilton							532				
Hilton Garden Inn							492				
Hilton Grand Vacations							37				
Homewood Suites by Hilton							286				
Waldorf Astoria Hotels							21				
Other							8				

Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
THE HONGKONG & SHANGHAI HOTELS ¹	38	418,306	553,190	7	3	0	10	NA	3,109	1	6
Hong Kong											
Peninsula Hotels				6	3	0	9				
Other ⁵				1	0	0	1				
HOSPITALITY PROPERTIES TRUST	27	715,615	899,474	289	0	0	289	NA	42,880	NA	2
Newton, Mass.											
Carlson brands				11	0	0	11				
Hyatt brands				22	0	0	22				
IHG brands				131	0	0	131				
Marriott brands				125	0	0	125				
HOST HOTELS & RESORTS ¹	10	4,158,000	5,139,000	110	0	0	110	NA	60,794	NA	7
Bethesda, Md.											
Four Seasons				2	0	0	2				
Fairmont				1	0	0	1				
Hilton/Embassy Suites				2	0	0	2				
Hyatt				6	0	0	6				
Marriott brands				66	0	0	66				
Ritz-Carlton				9	0	0	9				
Sheraton				7	0	0	7				
Swissotel				1	0	0	1				
W				2	0	0	2				
Westin				11	0	0	11				
Other				3	0	0	3				
HYATT HOTELS CORP.	11	3,332,000	3,837,000	102	188	109	399	NA	120,031	NA	108
Chicago, Ill.											
Andaz				2	NA	NA	2				
Grand Hyatt				5	NA	NA	37				
Hyatt				6	NA	NA	17				
Hyatt Place				50	NA	NA	146				
Hyatt Regency				28	NA	NA	142				
Hyatt Summerfield Suites				5	NA	NA	30				
Park Hyatt				6	NA	NA	25				
INDIAN HOTELS CO. LTD. ¹⁻⁶	37	427,699	419,680	NA	NA	NA	99	NA	11,754	NA	64
Mumbai, India											
Gateway							24				
Ginger Hotels							18				
Taj Luxury Hotels							23				
Taj Premium Hotels							34				
INLAND AMERICAN ¹	36	479,887	531,584	NA	NA	NA	97	NA	15,121	NA	0
Oak Brook, Ill.											
Baymont Inn							1				
Comfort Inn							5				
Courtyard by Marriott							20				
Doubletree							2				

Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
Embassy Suites							2				
Fairfield Inn							1				
Hampton Inn							8				
Hilton Garden Inn							14				
Hilton							2				
Holiday Inn							1				
Holiday Inn Express							1				
Homewood Suites							12				
Hyatt Place							1				
Hyatt Regency							1				
Marriott							3				
Quality Suites							1				
Residence Inn							16				
SpringHill Suites							1				
TownePlace Suites							5				
INTERCONTINENTAL HOTELS GROUP	1	16,800,000	19,100,000	17	622	3,799	4,438	NA	646,679	400	1,299
Atlanta, Ga.											
Candlewood Suites				0	78	176	254				
Crowne Plaza Hotels & Resorts				0	111	255	366				
Holiday Inn Club Vacations				0	0	6	6				
Holiday Inn Hotels & Resorts				5	207	1,107	1319				
Holiday Inn Express				1	27	2,041	2069				
Hotel Indigo				1	3	29	33				
InterContinental Hotels & Resorts				8	116	42	166				
Staybridge Suites				2	49	131	182				
Other				0	31	12	43				
INTERSTATE HOTELS	14	1,767,100	2,320,200	6	222	0	228	NA	46,129	13	16
Arlington, Va.											
InterContinental				0	18	0	18				
Hilton				4	57	0	61				
Marriott				0	72	0	72				
Sheraton				2	12	0	14				
Wyndham				0	22	0	22				
Other				0	41	0	41				
JAL HOTELS CO. LTD.	51	175,000*	202,639	0	58	0	58	NA	18,754	7	57
Tokyo, Japan											
Hotel JAL City				0	13	0	13				
Nikko Hotels International				0	45	0	45				
KEMPINSKI HOTELS	29	628,000*	718,000*	1	53	6	60	NA	14,993	28	60
London, U.K.											
KIMPTON HOTELS & RESTAURANTS	33	574,000	638,000	13	35	0	48	65	9,300	2	0
San Francisco, Calif.											
Kimpton				7	25	0	32				
Monaco				4	5	0	9				
Palomar				2	5	0	7				

Chain	2009 Rank	Chainwide Revenue 2009 (\$000)	Chainwide Revenue 2008 (\$000)	Majority Owned	Managed Under Contract	Franchised	Total Hotels	% Of Business Travel	Total Rooms	Hotels Under Construction	Number of Non-U.S. Hotels
LA SALLE HOTEL PROPERTIES ¹	31	590,746	663,006	NA	NA	NA	31	NA	8,494	NA	0
Bethesda, Md.											
Hilton							3				
Hyatt							1				
Marriott							1				
Sheraton							1				
Westin							3				
Other							22				
LANE HOSPITALITY	60	93,130	109,789	10	12	0	22	NA	3,292	0	0
Northbrook, Ill.											
Best Western				0	1	0	1				
Comfort Inn				0	1	0	1				
Courtyard by Marriott				3	0	0	3				
Crowne Plaza				2	1	0	3				
Doubletree				1	0	0	1				
Hampton Inn				0	2	0	2				
Hilton				2	1	0	3				
Holiday Inn				1	3	0	4				
Hotel Indigo				0	1	0	1				
SpringHill Suites				0	1	0	1				
Other				1	1	0	2				
LARKSPUR HOTELS & RESTAURANTS ⁴	59	95,000*	111,922	11	12	0	23	NA	2,800	NA	0
Larkspur, Calif.											
Larkspur Collection				8	0	0	8				
Larkspur Hotels				2	0	0	2				
Larkspur Landing				0	11	0	11				
Other				1	1	0	2				
LARRY BLUMBERG & ASSOC.	57	113,001	109,052	0	62	0	62	75	5,605	5	0
Dothan, Ala.											
Courtyard				0	16	0	16				
Fairfield Inn				0	14	0	14				
Hampton Inn				0	5	0	5				
Hilton Garden Inn				0	6	0	6				
Holiday Inn/Holiday Inn Express				0	3	0	3				
Homewood Suites				0	3	0	3				
Medical Center Inn				0	1	0	1				
Residence Inn				0	5	0	5				
SpringHill Suites				0	5	0	5				
TownePlace Suites				0	4	0	4				
LODGEWORKS	58	107,405	104,436	22	10	0	32	85	4,536	4	0
Wichita, Kan.											
Aloft				1	0	0	1				
Avia				4	0	0	4				
Hampton Inn				0	1	0	1				
Hawthorn Suites				1	0	0	1				

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Hilton Garden Inn				1	0	0	1				
Hyatt Place				0	1	0	1				
Hyatt Summerfield Suites				2	8	0	10				
Sierra Suites				13	0	0	13				
LODGIAN ¹	50	188,544	228,194	33	0	0	33	NA	6,272	NA	0
Atlanta, Ga.											
Courtyard by Marriott				7	0	0	7				
Crowne Plaza				7	0	0	7				
Fairfield Inn				1	0	0	1				
Four Points by Sheraton				1	0	0	1				
Hilton				2	0	0	2				
Holiday Inn				8	0	0	8				
Marriott				1	0	0	1				
Radisson				2	0	0	2				
Residence Inn				2	0	0	2				
SpringHill Suites				1	0	0	1				
Wyndham				1	0	0	1				
LOEWS HOTELS	28	636,000	817,000	9	9	0	18	50	8,073	NA	2
New York, N.Y.											
MANDARIN ORIENTAL HOTEL GROUP	24	838,300 ¹	1,016,100	9	12	0	21	NA	7,430	16	19
Hong Kong											
MARITIM HOTELSGESELLSCHAFT	30	595,933	652,190	17	7	8	32 ⁷	NA	14,530	NA	32
Bad Salzuflen, Germany											
MARRIOTT INTERNATIONAL	2	11,000,000	13,000,000	NA	NA	2279	3420	NA	595,461	NA	435
Bethesda, Md.											
Bulgari				0	2	0	2				
Courtyard				NA	NA	531	858				
Fairfield				0	3	626	629				
JW Marriott				NA	NA	6	43				
Marriott Conference Centers				NA	NA	0	11				
Marriott Executive Apartments				NA	NA	1	23				
Marriott Hotels & Resorts				NA	NA	218	491				
Renaissance Hotels & Resorts				NA	NA	56	143				
Residence Inn				1	141	466	608				
Ritz-Carlton				NA	NA	0	74				
SpringHill Suites				0	31	225	256				
TownePlace Suites				0	34	150	184				
Other				NA	NA	0	98				
MILLENNIUM & COPTHORNE HOTELS ¹	19	1,041,540	1,017,290	NA	NA	NA	104	NA	29,124	NA	84
London, U.K.											
Best Western							1				
Comfort Inn							1				
Copthorne Hotels							35				
Grand Hyatt							1				
Grand Millennium							4				

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JW Marriott							1				
Kingsgate							14				
Millennium Hotels							40				
Nikko Hotels							1				
Other							6				
MORGANS HOTEL GROUP ¹	46	217,572	296,167				15	NA	4,873	NA	3
New York, N.Y.											
Hard Rock				0	1	0	1				
Morgans				1	0	0	1				
Other				7	6	0	13				
NH HOTELES ¹	15	1,733,840	2,052,960	NA	NA	NA	394	NA	58,844	54	393
Madrid, Spain											
OMNI HOTELS	21	960,000*	925,000*	31	6	4	41	75	15,000	3	3
Irving, Texas											
ORIENT EXPRESS HOTELS ¹	41	397,166	439,780	36	6	0	42	NA	3,595	NA	37
Hamilton, Bermuda											
PAN PACIFIC HOTEL GROUP ¹	49	204,781	218,506	13	14	0	27	NA	8,372	1	26
Singapore											
Crowne Plaza				2	0	0	2				
Pan Pacific				1	14	0	15				
ParkRoyal				7	0	0	7				
Sheraton				2	0	0	2				
Sofitel				1	0	0	1				
PEABODY HOTEL GROUP	55	*136,500	182,000	3	0	0	3	90	2,187	1	0
Memphis, Tenn.											
RED LION HOTELS CORP. ¹	53	165,388	187,570	19	13	13	45	NA	8,671	NA	1
Spokane, Wash.											
REZIDOR HOTEL GROUP	20	970,290	1,106,340	0	212	74	286	75	60,646	103	286
Brussels, Belgium											
Country Inns & Suites				0	1	1	2				
Hotel Missoni				0	1	0	1				
Park Inn				0	57	30	87				
Radisson Blu Hotels & Resorts				0	148	43	191				
Regent				0	3	0	3				
Other				0	2	0	2				
ROSEWOOD HOTELS & RESORTS	42	368,100	438,200	0	17	0	17	51	1,969	5	9
Dallas, Texas											
SHANGRI-LA HOTELS & RESORTS	17	1,230,000	1,353,000	47	18	0	65	74	29,940	17	65
Hong Kong											
Shangri-La				42	12	0	54				
Traders				5	6	0	11				
SOL MELIÁ HOTELS & RESORTS	16	1,646,770	1,802,790	88	122	37	278 *	NA	76,944	NA	277
Palma de Mallorca, Spain											
Melia				23	45	8	99				
Premium				12	12	0	25				

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Sol				33	39	4	85				
Tryp				7	26	13	94				
SONESTA INT'L HOTELS CORP.	54	138,571	180,146	1	14	15	30	75	6,244	5	26
Boston, Mass.											
STARWOOD HOTELS & RESORTS	9	4,756,000 ¹	5,754,000	63	440	476	992	NA	298,522	NA	459
White Plains, N.Y.											
Aloft				2	2	35	39				
Element				1	0	5	6				
Four Points by Sheraton				2	24	122	148				
Le Meridien				0	91	14	105				
Luxury Collection				9	26	28	63				
Sheraton				18	174	200	392				
St. Regis				4	14	1	19				
Vacation Ownership				NA	NA	NA	13				
W				9	25	0	34				
Westin				12	82	71	165				
Other				6	2	0	8				
STRATEGIC HOTEL CAPITAL ¹	25	723,799	928,389	17	0	0	17	NA	7,245	NA	5
Chicago, Ill.											
Fairmont				2	0	0	2				
Four Seasons				2	0	0	2				
Hyatt Regency				1	0	0	1				
InterContinental				3	0	0	3				
Loews				1	0	0	1				
Marriott				4	0	0	4				
Ritz-Carlton				2	0	0	2				
Westin				1	0	0	1				
Other				1	0	0	1				
SUNSTONE HOTEL INVESTORS ¹	26	717,823	881,494	29	0	0	29	NA	10,962	NA	0
San Clemente, Calif.											
Courtyard by Marriott				1	0	0	1				
Doubletree				1	0	0	1				
Embassy Suites				2	0	0	2				
Fairmont				1	0	0	1				
Hilton				3	0	0	3				
Hyatt Regency				1	0	0	1				
Marriott				10	0	0	10				
Renaissance				5	0	0	5				
Residence Inn				1	0	0	1				
Sheraton				1	0	0	1				
Other				3	0	0	3				
SUPERTEL HOSPITALITY ¹	61	88,970	99,256	82	0	0	82	NA	9,929	NA	NA
Norfolk, Neb.											
Baymont Inn & Suites				1	0	0	1				
Booneslick Lodge				2	0	0	2				

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Comfort Inns & Suites				21	0	0	21				
Days Inn				10	0	0	10				
Guesthouse Inn				2	0	0	2				
Hampton Inn				2	0	0	2				
Holiday Inn Express				2	0	0	2				
Key West Inn				1	0	0	1				
Masters Inn				14	0	0	14				
Ramada Limited				1	0	0	1				
Savannah Suites				7	0	0	7				
Sleep Inn				2	0	0	2				
Super 8				15	0	0	15				
Supertel Inn				1	0	0	1				
Tara Inn				1	0	0	1				
WINDSOR HOSPITALITY GROUP ⁴	47	209,090*	264,630	22	0	0	22	NA	5,582	NA	0
Santa Monica, Calif.											
Courtyard by Marriott				1	0	0	1				
Embassy Suites				18	0	0	18				
Marriott				1	0	0	1				
Renaissance				1	0	0	1				
Residence Inn				1	0	0	1				
WYNDHAM HOTEL GROUP	6	6,500,000 ³	7,000,000*	0	27	7,076	7,114	NA	587,674	NA	1,108
Parsippany, N.J.											
Baymont Inn & Suites				0	0	240	240				
Days Inn				0	0	1,858	1,858				
Hawthorn Suites				0	0	89	89				
Howard Johnson				0	0	492	492				
Knights Inn				0	0	343	343				
Microtel Inns & Suites				0	0	314	314				
Ramada				0	2	908	910				
Super 8				0	0	2,137	2,137				
Travelodge				0	0	460	460				
Wingate by Wyndham				0	0	166	166				
Wyndham Hotels & Resorts				0	25	69	94				
Other				0	0	0	11 ⁹				

Notes:

*BTN estimate

- 1 Company reports
- 2 Does not include franchise fees, membership dues or revenue from properties outside North America
- 3 Chainwide revenues determined by RevPAR reported in annual reports.
- 4 Information obtained from company website.
- 5 The company closed Quail Lodge and Resort, its one non-Peninsula property, in November
- 6 Based on an April-to-March fiscal year
- 7 Maritim also has 17 properties under a leasing contract.
- 8 Totals include rented hotels.
- 9 Represents unbranded properties affiliated with the Wyndham brand for which it receives a fee for reservations and/or other services provided and properties managed under a joint venture with CHI Hotels & Resorts.