NBTA

NATIONAL BUSINESS TRAVEL ASSOCIATION

Connecting the Business Travel World

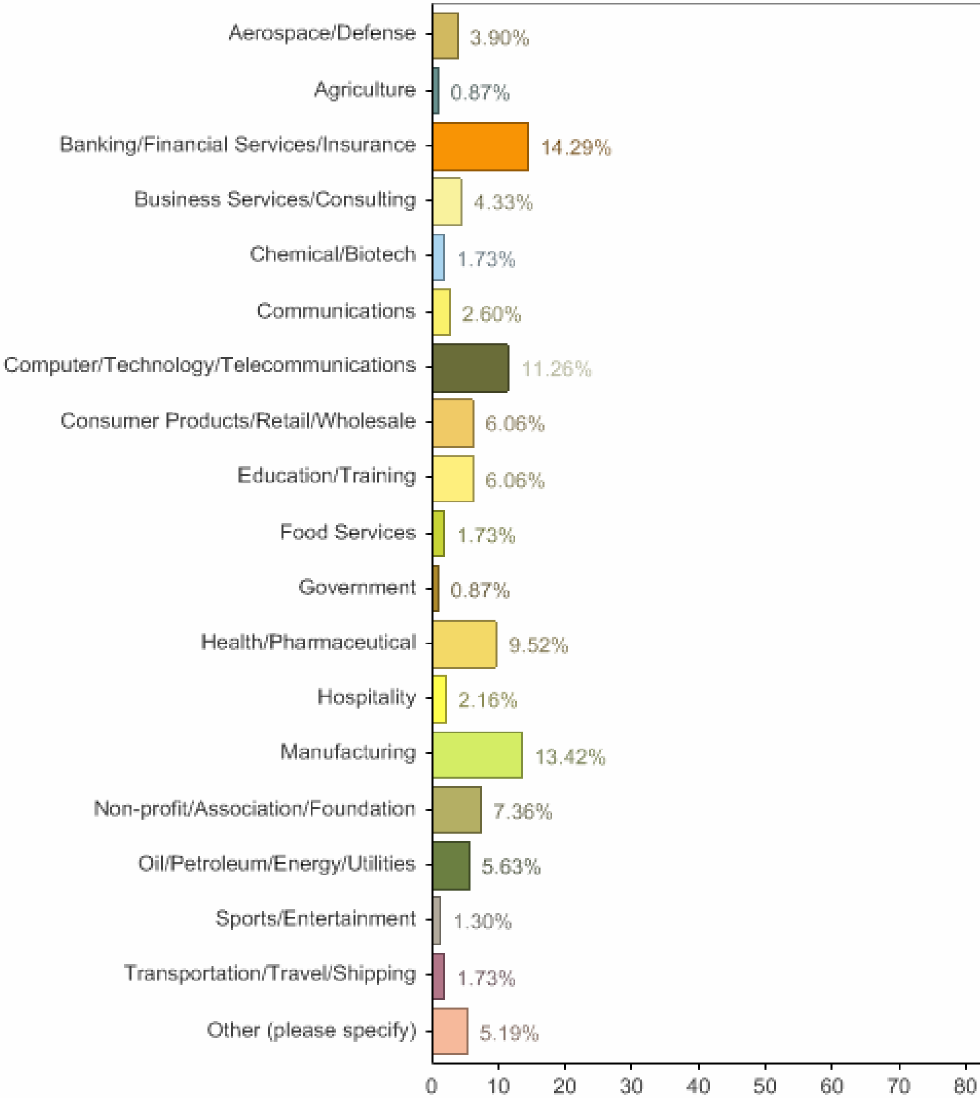
2009 Business Travel Overview & Cost Forecast

METHODOLOGY

- **Primary findings—online survey of travel buyers conducted September 15-October 21, 2008 with 147 respondents.**

- **Additional findings:**
  - Two online surveys of travel buyers conducted July - October 2008
  - NBTA analysis of data from Bureau of Transportation Statistics, IATA, Smith Travel Research and other sources.

Industries Represented in NBTA Surveys



THE U.S. BUSINESS TRAVEL MARKET

- **Business travel is expected to continue growing in 2009, but at a much slower rate than 2008.**
- **The slowdown in growth is a continuation of a trend that began in 2008, in which business travel grew slower than in the previous four years (2004-2007).**
- **Corporate travel buyers' perceptions are split regarding the industry outlook:**
  - 61% of respondents are optimistic about the growth of business travel:
    - 51% see continuous growth, but slower than last year.
    - 8% are hopeful that the economy will recover between 2009-10 and help business travel.
    - 2% expect it to grow rapidly because of a growing global economy.
  - The other 39% are more pessimistic about the economy and the state of business travel expecting it to decline with the economy.

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA 2009 Forecast Survey

Effects of the Economy on Business Travel

- **More than 30 airlines have ceased operations.**
- **Higher air fares due to:**
  - Higher oil prices
  - Reduced seat capacity
  - Less competition on some markets
- **Total trip cost increases** (including air, hotel, cars, meals):
  - **U.S. Domestic: US$140-$175** more per trip
  - **International: US$315-$400** more per trip

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

Impact on Corporate Travel Varies

- **Most companies have implemented cost-containment and/or cost-cutting measures.**
- **But <u>not all</u> companies have done so.**

Top 5 Corporate Travel Responses to Fuel Price Hikes and Economic Downturn	
1- Cost cutting measures	56%
2- Cost savings mentality at every level	53%
3- Reduction of meetings & company events	39%
4- No impact / Business as usual	23%
5- Increased use of public transportation	22%

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

U.S. Business Travel Costs Increases

NBTA PROJECTIONS FOR 2009	
Segment of business travel	**Range of increases**
AIRFARES	7% - 10%*
HOTELS	1% - 4%
CAR RENTALS	1%-3%
OVERALL COST INCREASES	5% - 8%
*New airline ancillary fees may add up to 5% to airfare projections	

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Airfare Increases

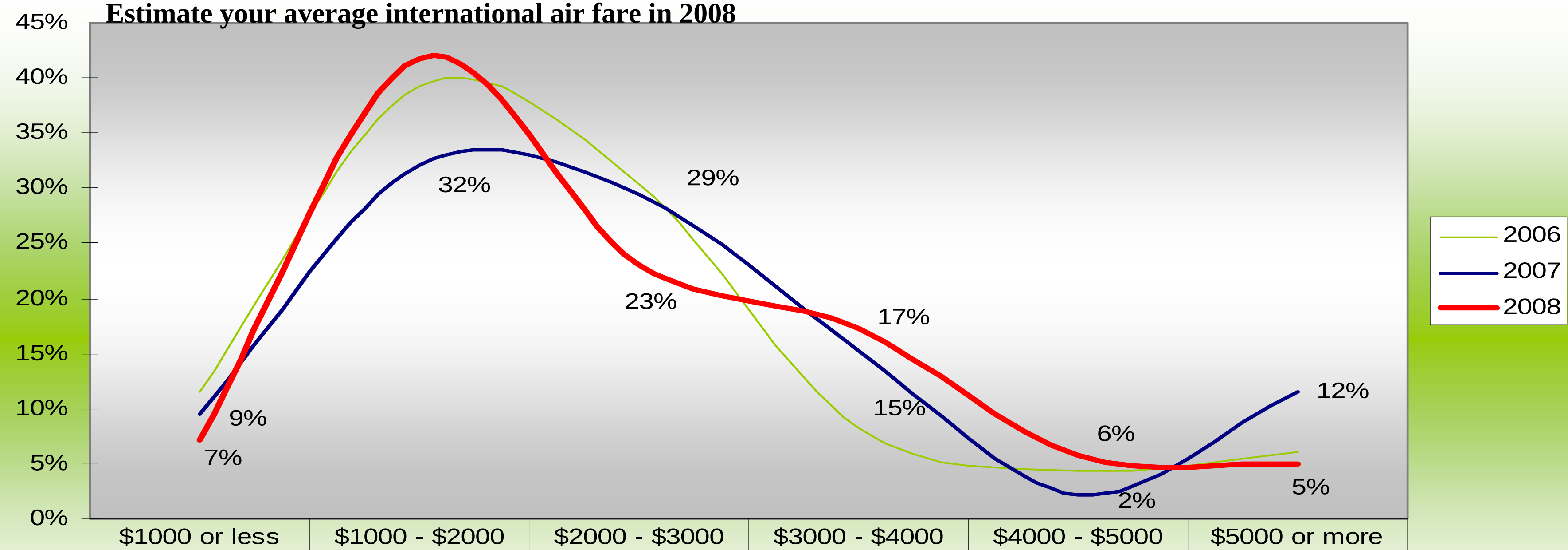
The average U.S. Domestic airfare is expected to surpass the 2001 fare levels: Up to 10% increase from 2008

2001-2008 data: Bureau of Transportations Statistics; 2009 projection: NBTA

International Airfares

- **The average international airfare is close to $2,100**
    - Reported average fares above $5000 show a decline of 7 percentage points from 2007 as a result of cutbacks on business class spend by corporate accounts

Estimate your average international air fare in 2008

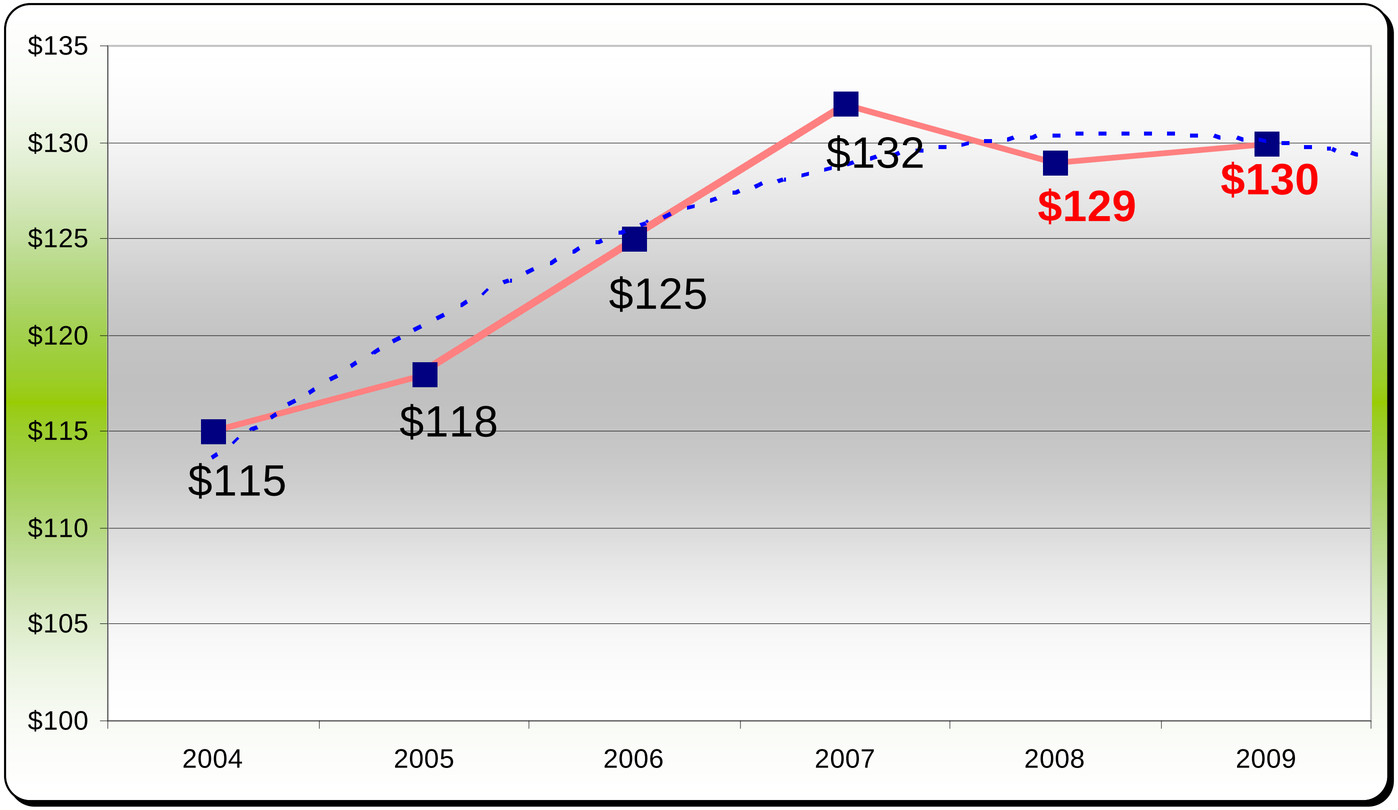


	$1000 or less	$1000 - $2000	$2000 - $3000	$3000 - $4000	$4000 - $5000	$5000 or more
2006	12%	39%	30%	8%	4%	6%
2007	9%	32%	29%	15%	2%	12%
2008	7%	42%	23%	17%	6%	5%

Source: NBTA Forecast Surveys

Average Hotel Rates

The average U.S. hotel rate may increase between 1% and 4% in 2009



Trendline ---

Average rates 2004-2008

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

2004-2008 data: Smith Travel Research; 2009 projection: NBTA

Corporate Car Rentals Rates

- $44 is the average corporate car rental rate in the U.S., an increase of 4% from the previous year.
- Corporate car rentals rates may remain flat or increase by up to 1% in 2009, while standard rates may reach a 3% increase.

Source: NBTA 2009 Forecast survey

CORPORATE TRAVEL MANAGEMENT

- **The impact of the changing economy varies significantly by company:**
  - **Companies in market sectors less impacted by economic downturn maintain or grow travel levels, while others are reducing travel.**
- **At most companies, travel cost-containment measures are being put into place or ramped up.**

	Top 10 Cost Cutting Measures in Travel Management for 2009
1	Reducing non-essential travel
2	Reducing number of meetings/events
3	Ramping up policy mandates
4	Reducing number of employee travel to conferences /events
5	Implementing e-folio hotel data
6	Renegotiating corporate rates
7	Bidding TMC Contract
8	Reducing number of individual travelers
9	Centralize Meetings Management / implement SMMP
10	Reducing luxury hotels bookings in favor of mid-priced hotels

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA 2009 Forecast survey

Aviation Outlook

AIRLINE SYSTEM: obsolete at $100 oil prices

Needs restructuring:

- **New Size of The Market**: Fleets and Systems should shrink to adapt to this yet unknown size
- **Airlines' New Focus**: higher revenues vs. market share
- **Airline Alliances:** increasing over airline mergers
- **Low Cost Carriers**: Downward pricing pressure declining
- **Regional Jets**: 50-seaters will be removed rapidly from the system
- **Labor Costs & Labor Relations**: Major impacting factor 2009-2011
- **Open Skies** = minor impact / **Global Mega-Hubs** = bigger impact
- **Cargo:** replacing declining passenger revenues to make international routes profitable
- **A la carte Pricing**: predicted to become the new and lasting trend

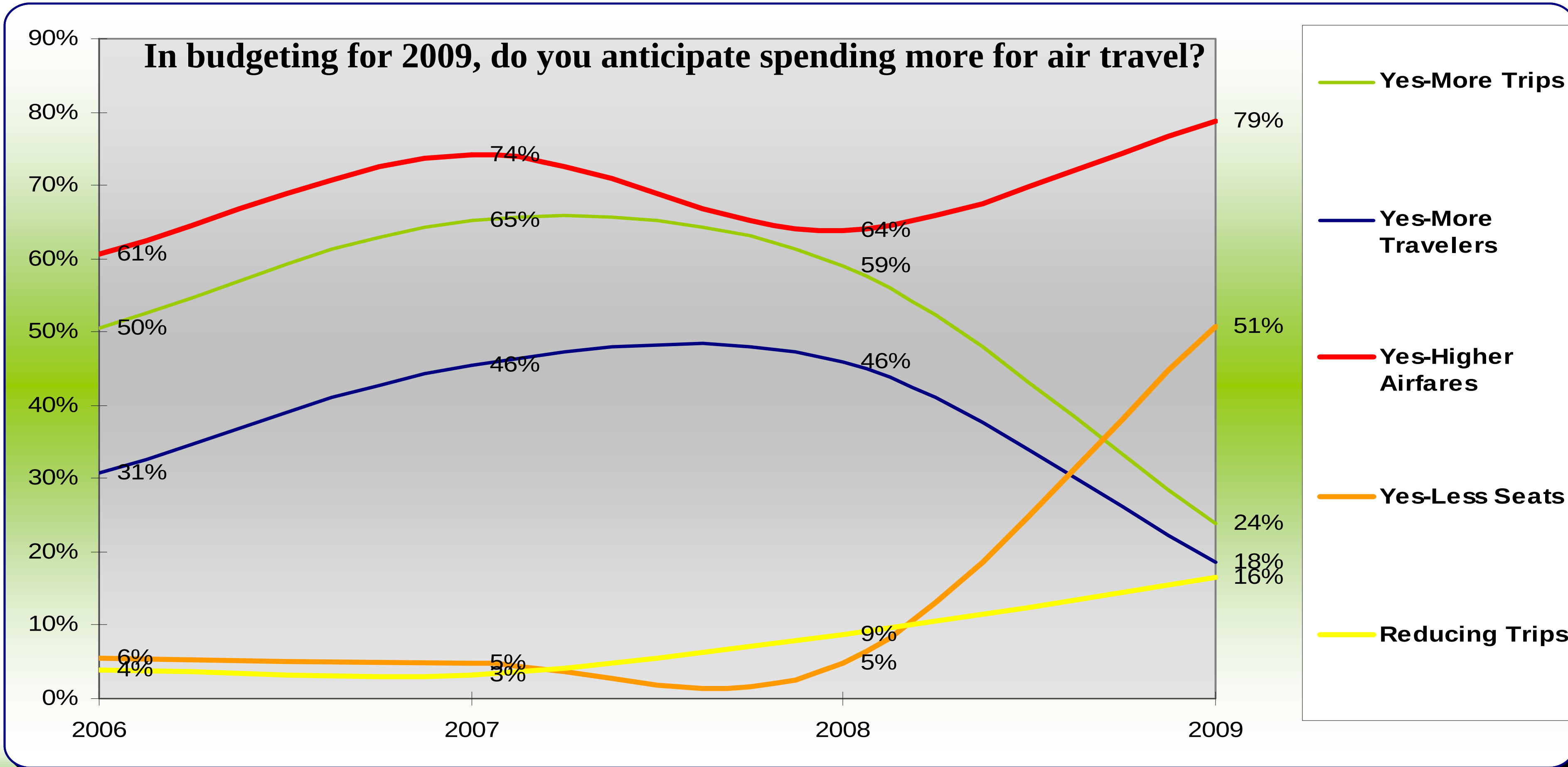
Caution: Even if fuel prices drop, airfares are expected to remind high and fees will remain in place. This may in turn help airlines reduce losses or even turn profits.

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: Michael Boyd, Executive Vice President, The Boyd Group @ Aviation Forecast Summit

2009 Air Travel Spend

- The percentage of corporate travel buyers attributing higher air travel spend to higher airfares increased by 23% from the previous year.
- Attributing higher air travel spend to more travelers or more trips decreased dramatically by about 60% of responses from the previous year.



Source: NBTA 2009 Forecast Survey

Air Travel Management

Top 5 Air Travel Management Actions Taken by Corporations	
1- Emphasizing advance purchase of air tickets	61%
2- Encouraging or requiring less air travel	55%
3- Sending fewer employees to conferences	51%
4- Strengthening mandates/enforcement of travel policies	50%
5- Driving people to travel alternatives (e.g. web-based meetings)	49%

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

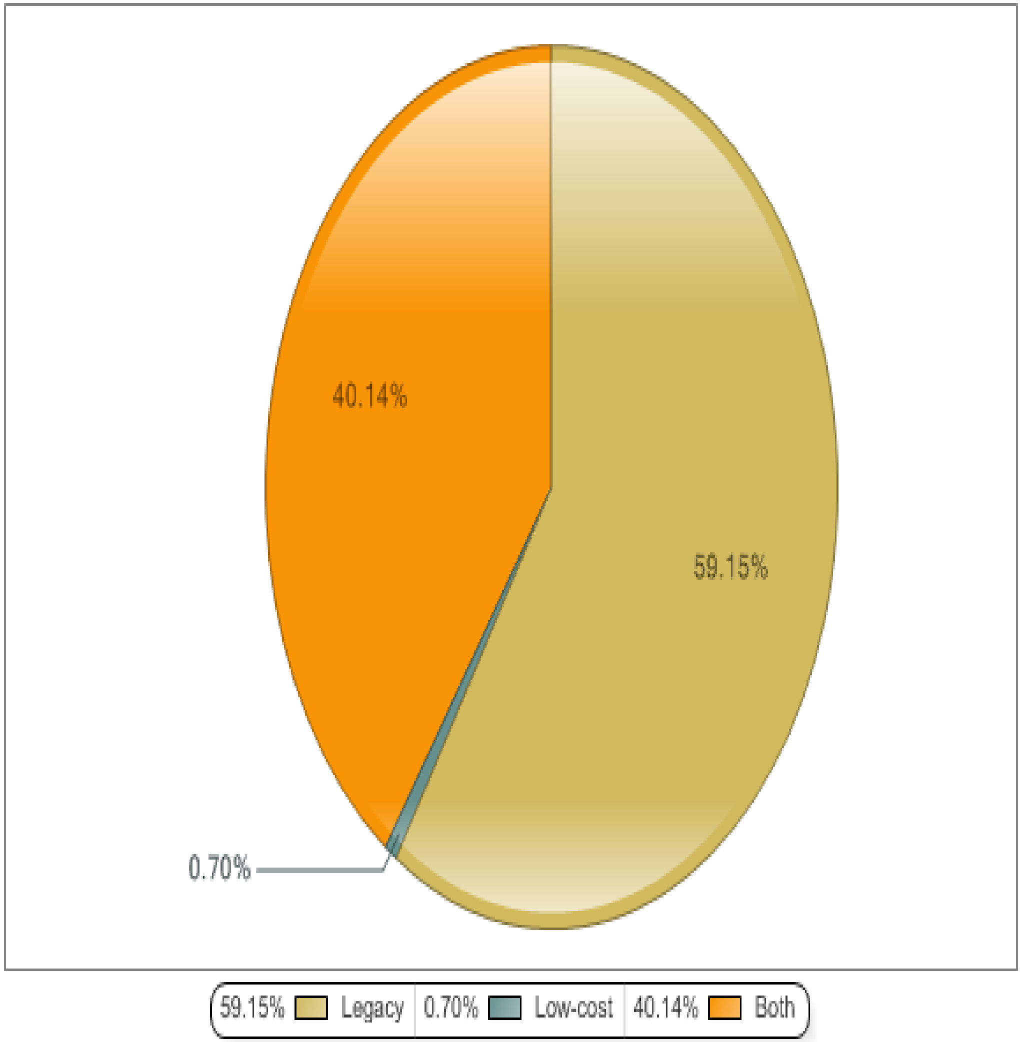
Low Cost Carriers

More travel buyers are increasing the use of LCCs:

• 64% are encouraging bookings on LCCs if it means savings on airfares.

• Travel programs with a mix of both “legacy” carriers and LCCs as preferred airlines has increased 44% since 2007.

• Travel programs with only legacy airlines as preferred has decreased by 14%.



Source: 2009 Forecast Survey

New Airline Ancillary Fees

Airline fees add a new challenge that travel managers will begin to tackle in the coming year:

- **39% see it as minor inconvenience for budgeting.**
- **76% feel airlines are misleading the public with the fees.**
  - 44% of those noticed that seemingly competitive fares end up being much higher when the fees are added.
- **70% are planning to, or considering, negotiating on the fees during their next airline RFP.**
- **66% are already measuring, or planning to measure, the impact of the fees.**

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

A la Carte Pricing & New Restrictions

- **A la Carte Pricing:** rejected by 58% of corporate travel buyers:
  - Too complicated to manage (41%)
  - Complicates budgeting without knowing true air travel spend (17%)
- **New Ticketing Restrictions:** 83% consider re-introduction of Saturday-night stays to have an impact on their air travel budgets.
  - 57% consider it to be a major impact.
- **"Back-to-back" ticketing:** 80% of buyers don't encourage it:
  - Unethical (22%)
  - Prohibited by their travel policy (17%)
  - Too risky (13%)
  - 22% of those 80% are willing to encourage travelers to stay over Saturday night, and cover additional costs, if the fare difference is significant.

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

Policies for Airline Fees

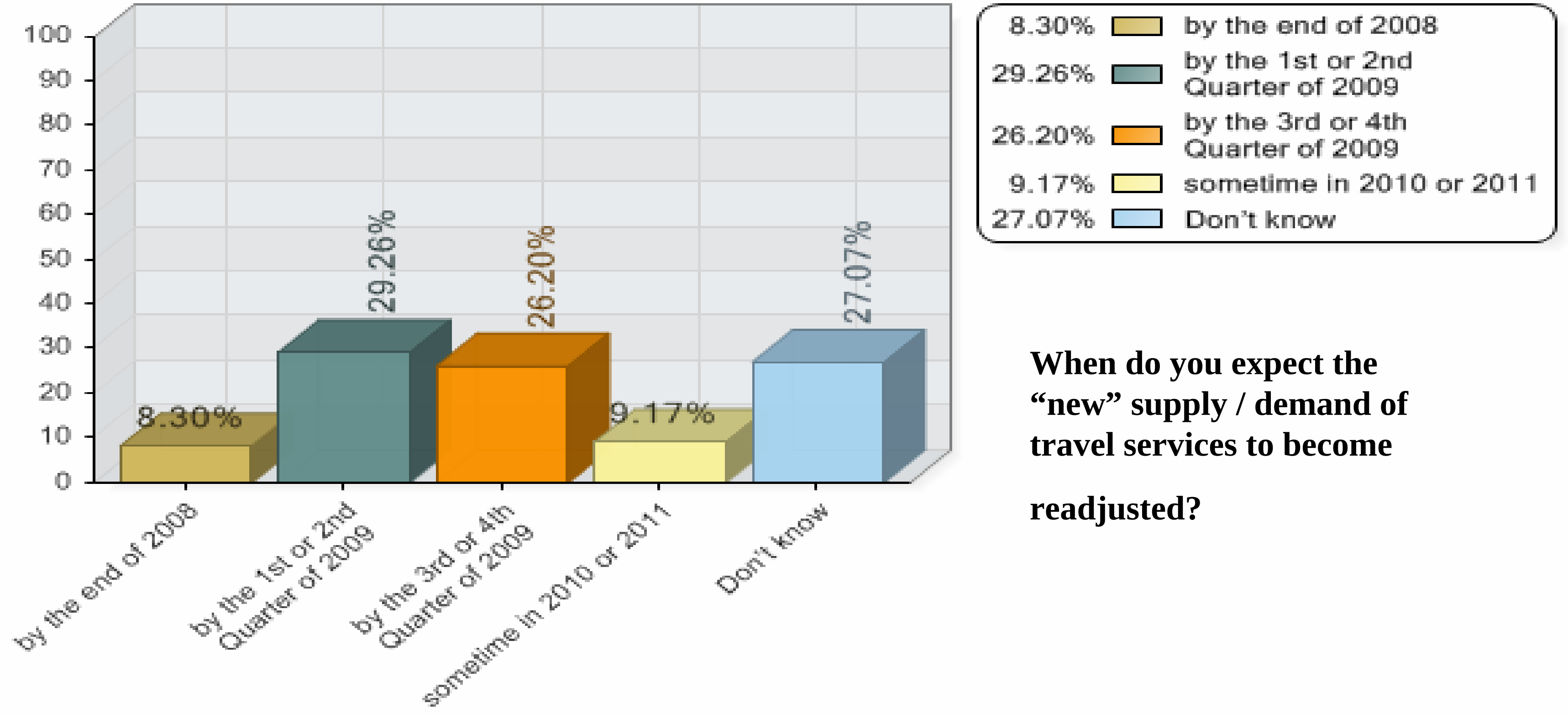
Rank	Airline Fees Reimbursable by Policy?	Responses
1	First bag fee	85%
2	“Buy-on-Board” meals/drinks	62%
3	2nd bag fee	60%
4	Airline booking fee	56%
5	Overweight bag fee	44%
5	Preferred seat fee	16%

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA 2009 Forecast Survey

Adjusted Supply-Demand Curve

- Cuts in air capacity and a slowdown in demand will redefine the supply-demand balance.
- The majority of respondents (55%) expect an adjustment of the new business travel supply and demand during 2009.



When do you expect the "new" supply / demand of travel services to become readjusted?

Source: NBTA's Impact of Economic Downturn Survey 2008

Corporate Hotel Rates

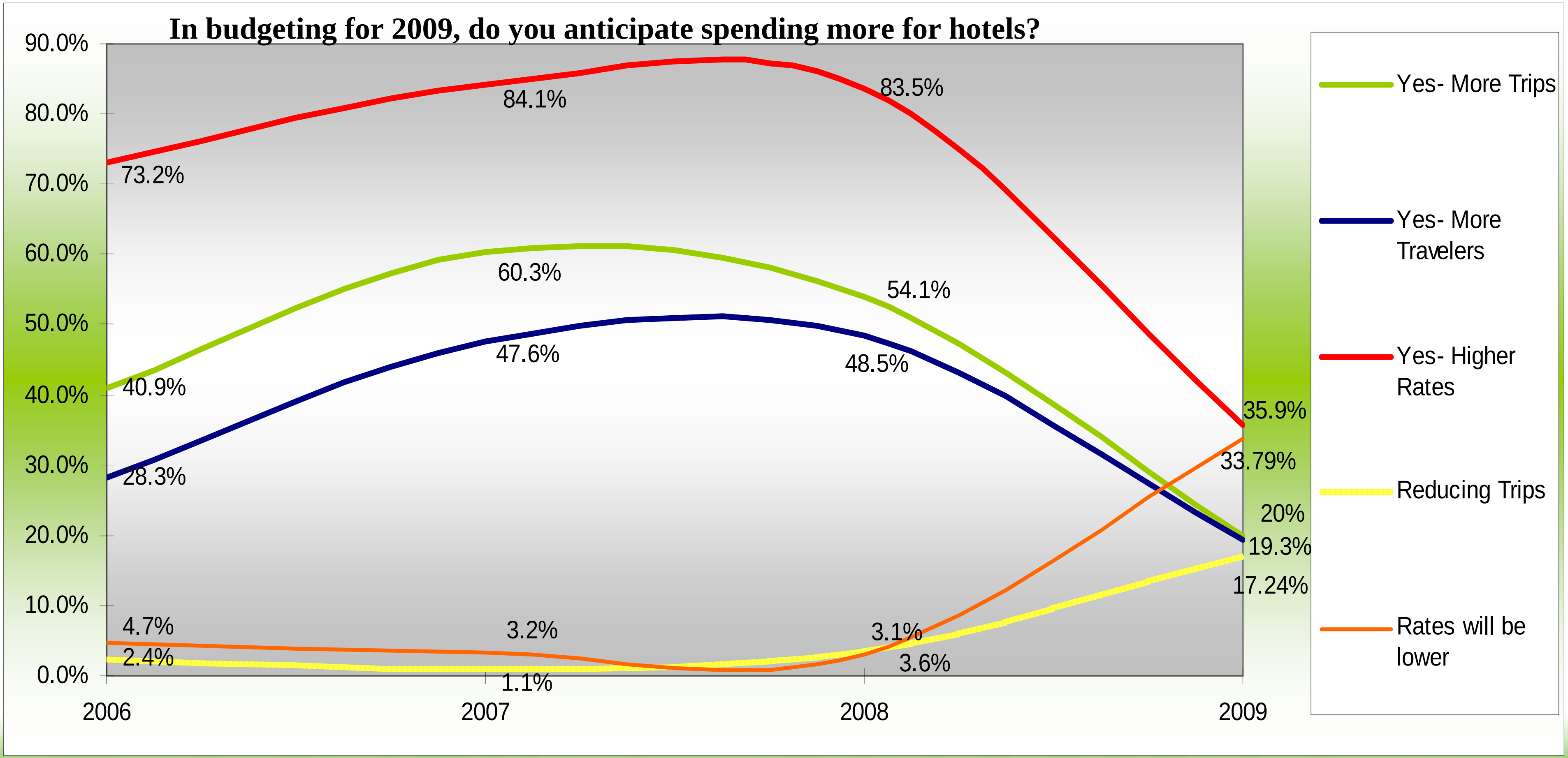
- **Buyers' Market?** Not yet, according to 52% of corporate travel buyers surveyed, despite the current economic situation
- **More Mid-Priced Hotels:** 65% of buyers are encouraging their travelers to switch from luxury properties
- **Lower Transient Rates:** 37% have witnessed hotel rates falling below the level of their negotiated rates
- **Mid-Year Re-Negotiations:** reported by 32% of corporate travel buyers surveyed, including:
  - 16% who have been contacted by hotels rejected the previous year with new offers
  - Another 13% are currently renegotiating with preferred hotels

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

2009 Hotel Travel Spend

- **36%** of corporate travel buyers expect their hotel spend to increase because of **higher hotel rates** while **34%** expect their **rates to remain the same or be lower**
- Attributing higher hotel travel spend to more trips or more travelers shows a dramatic downward change from previous years



Source: NBTA 2009 Forecast Survey

Hotel Market Outlook

- The mortgage and credit crisis slowed down new hotel projects planned during the housing market boom.
- Economic slowdown is impacting demand in many markets in the U.S. and around the world.
- Current market conditions put travel buyers in a better negotiating position than recent years.
- Corporate rates may remain flat or increase only slightly.
- Promotional rates will be abundant in soft markets.
- Tight supply and high rates will continue to be a burden in big cities and emerging markets, but not as severe as previous years.
- Hotels will continue to use surcharges to generate revenue.

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Ground Transportation

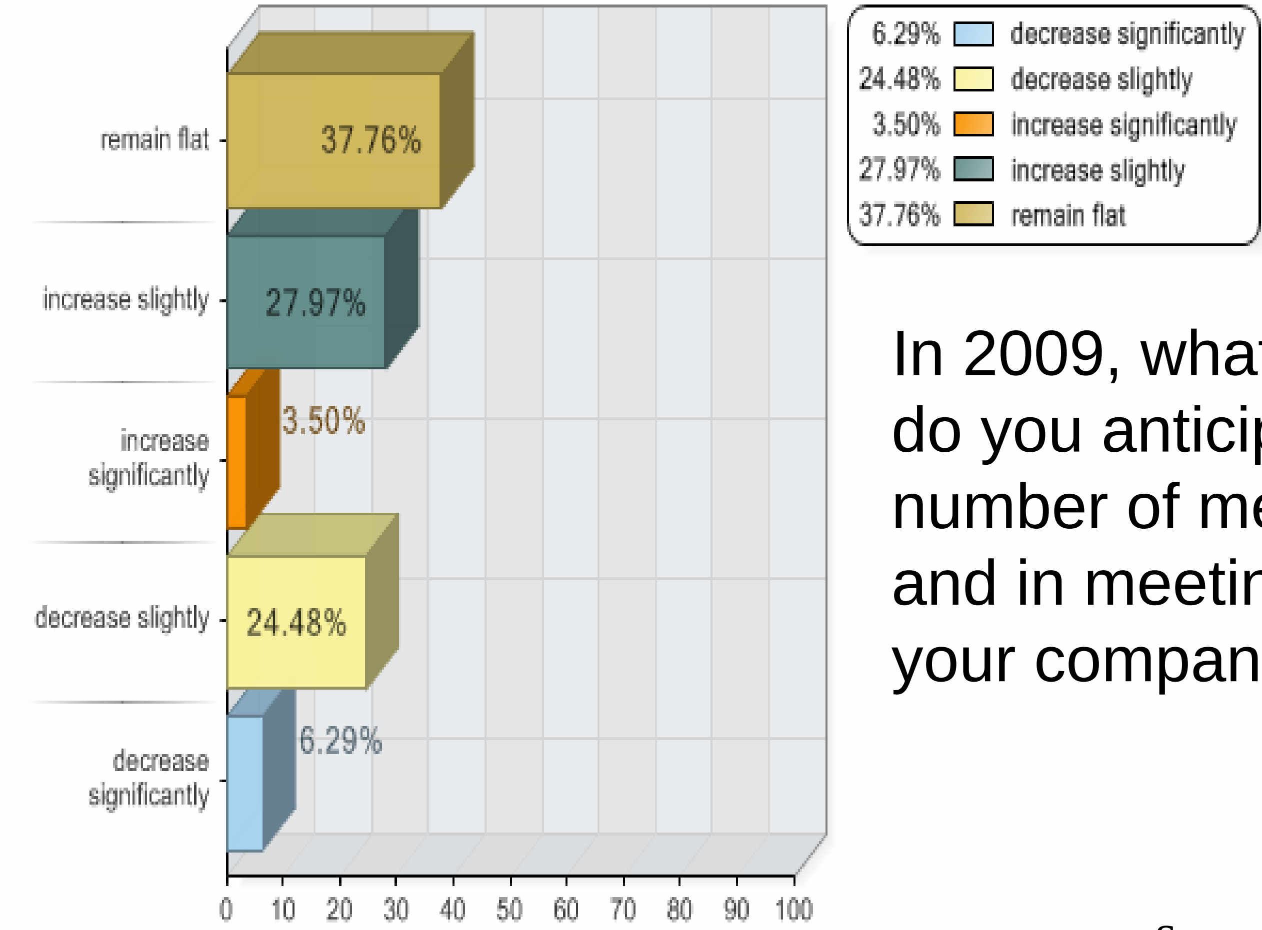
	Top 5 Ground Transportation Trends Due to High Oil Prices
1	Refueling before returning car rental
2	Sharing ground transportation costs with other employees
3	Moving to smaller, less expensive car rentals
4	Renting more fuel efficient cars (non-hybrids)
5	Using more public transportation when traveling

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

Meetings Spend

- **Meetings spend outlook varies by company:**
- **38% expect meetings spend to remain flat**
- **31% project a reduction in meetings spend**
- **32% foresee an increase in meetings spend**



In 2009, what change, if any, do you anticipate in the number of meetings planned and in meetings spend within your company?

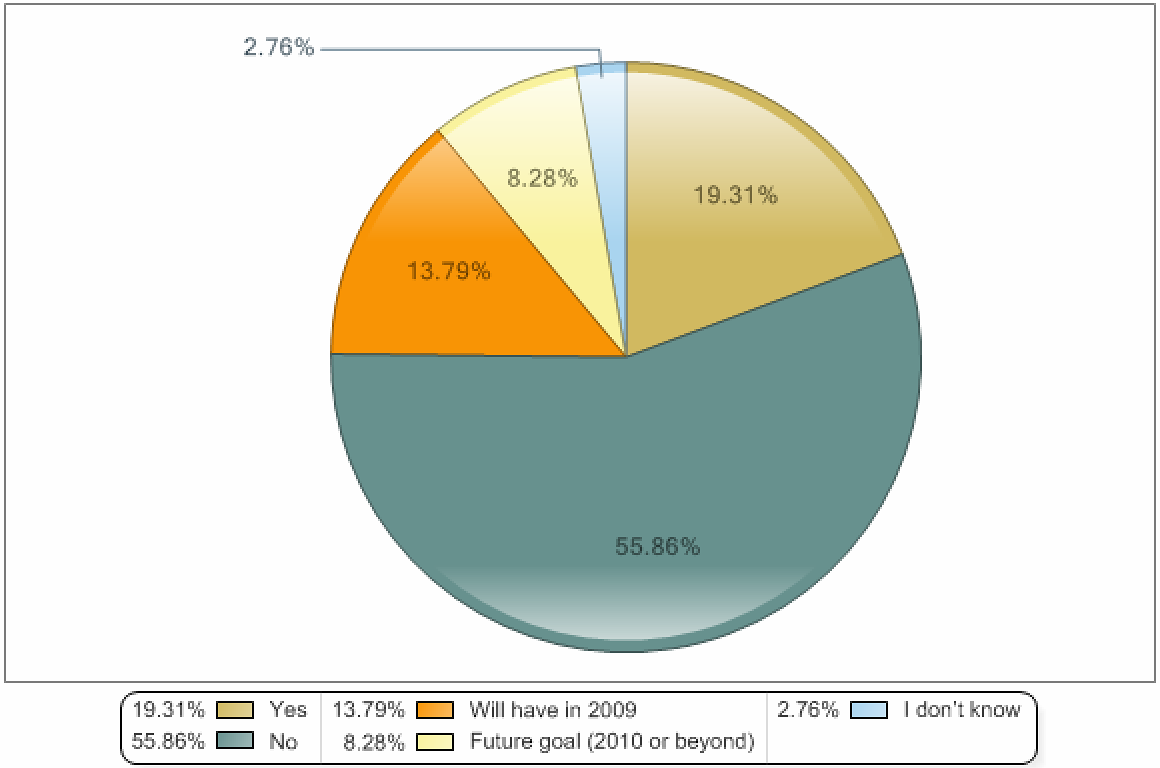
NATIONAL BUSINESS TRAVEL ASSOCIATION

Connecting the Business Travel World

Source: NBTA 2009 Forecast survey

Meetings Management

- **19% of companies surveyed have a strategic meetings management program in place.**
- **22% plan to implement one during 2009 or beyond.**



NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA 2009 Forecast survey

Travel Alternatives

Teleconferencing: usage increase reported by 75% of survey respondents

- 31% reporting an increase of up to 5%
- 21% indicating an increase of 5-10%

Video Teleconferencing: also increasing according to 57% of respondents

- 32% indicate an increase of up to 5 %

Telepresence: the most robust and most costly conferencing technology, is only used by about 14% of respondent companies

- 9% note increased use of Telepresence by up to 5%
- 5% of users report a 5-10% increase

Technology Replacing Trips? 81% of travel buyers think so, but

- An additional 20% said that this technology complements trips rather than replace it

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA's Impact of Economic Downturn Survey 2008

Outbound Business Travel Growth

The top 10 international destinations that will see growth in corporate travel from the U.S. in 2009.

Rank	Countries or Regions
1	China
2	India
3	United Kingdom
4	Canada
5	France
6	Mexico
7	Other Western European Countries
8	Germany
9	Japan
10	Australia/New Zealand

NBTA NATIONAL BUSINESS TRAVEL ASSOCIATION *Connecting the Business Travel World*

Source: NBTA 2009 Forecast survey

Corporate Travel Management Priorities 2008-2009

Top 10 Most Pressing Issues Facing Travel Managers	
1	Higher travel costs overall
2	Reducing travel costs further
3	Rising air fares
4	Travel policy compliance
5	Data / reporting
6	Uncertain economy
7	High fuel prices
8	Dealing with airline fees
9	Globalizing travel program
10	Challenges in budgeting for next year

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA 2009 Forecast survey

Other Trends: Green Travel

Greening of the travel industry, as part of Corporate Social Responsibility initiatives, continues expanding and increasing in importance with corporations and travel suppliers:

- 29% of corporations surveyed have in place some kind of a company wide environmental program
- 45% use demand management to encourage travel alternatives (ex. Teleconferencing)
- Airlines and aviation manufacturers continue exploring fuel alternatives
- Hotels have increased their greening efforts based on travelers’ demand
- Car rental companies are increasing the supply of more fuel efficient cars

Yet, only 16% of corporate travel buyers consider “green” initiatives to be influential when selecting a travel supplier

- 17% indicated that the economic downturn is slowing down implementation of “green” & CSR initiatives
- While other buyers claim that they get better policy compliance by calling “Going Green” any effort related to cutting travel costs

NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Source: NBTA 2009 Forecast survey
& CSR Trends in Travel Management survey (2008)

Thank you!

Come with us to:

NBTA San Diego/09

International Convention & Exposition
August 23-26, 2009

NBTA
NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

NBTA is proud to offer more than 10 leading global business travel conferences in:

LACTTE
ABGEV & NBTA

paragon
partnership
The Global Alliance of Business Travel Associations

CT&TW
Corporate Travel & Technology World
国际商务旅行(上海)论坛暨商务技术展示会

TTG
TTG ASIA MEDIA PTE LTD

NBTA
NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

USA

Brazil

Canada

Europe

Mexico

China

Australia

Thailand

NBTA USA

NBTA Canada
From a Canadian Perspective

NBTA México

NBTA Asia Pacific

NBTA
NATIONAL BUSINESS TRAVEL ASSOCIATION
Connecting the Business Travel World

Visit NBTA.org