

Prepared Remarks of

National Business Travel Association

Before the:

**United States House of Representatives Committee on Transportation
and Infrastructure, Subcommittee on Aviation**

Hearing on:

Airline Fees

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**NATIONAL BUSINESS
TRAVEL ASSOCIATION**

Connecting the Business Travel World

National Business Travel Association (NBTA) appreciates this opportunity to provide testimony on airline fees to the House Transportation and Infrastructure Subcommittee on Aviation. In response to recent economic challenges, airlines have increased the practice of separating or “unbundling” services which were traditionally part of an airline ticket. Since then, NBTA’s 5,000 members, who manage more than 13 million business travelers and \$340 billion worth of travel, have wrestled with issues related to costs and fee transparency. Simply put – these fees equal fares, and a transparent system should be in place to identify them. In addition, the process to return government taxes and fees collected on unused or nonrefundable tickets remains an enigma. NBTA applauds this Subcommittee’s efforts to examine both of these practices. NBTA looks forward to working with all stakeholders to address the proliferation of ancillary fees and provide full transparency to airline fares.

About NBTA

NBTA is the world’s premier business travel and corporate meetings organization. NBTA and its regional affiliates – NBTA Australia / New Zealand, the Brazilian Business Travel Association (ABGEV), NBTA Canada, NBTA Europe, NBTA Mexico, and NBTA USA – serve a network of more than 17,000 business travel professionals around the globe with industry-leading events, networking, education & professional development, research, news & information, and advocacy. NBTA members - numbering more than 5,000 in 30 nations - are corporate and government travel and meetings managers and travel service providers. They collectively manage and direct more than \$340 billion of global business travel and meetings expenditures annually on behalf of more than 13 million business travelers within their organizations.

Value of Managed Travel

In today’s economy, companies are considering every possible option to stay competitive. Face-to-face client meetings and trade shows remain the primary tools for increasing sales. Unfortunately, the economy has forced some companies to view business travel as an expense to be cut rather than a smart investment. Research commissioned in 2009 by NBTA found that businesses can realize more than \$15 in profits for every \$1 invested in business travel. The research also shows that companies in 2009 likely missed out on nearly \$200 billion in additional gross profits because they did not optimize their investments in strategic business travel.

Fees and Non-Transparency

Not surprisingly, the economic downturn has forced the airline industry to seek creative marketing methods to attract business. NBTA fully supports the right of private industry to create and follow chosen business models. However, ancillary fees are ultimately part of the total net fare. NBTA believes that consumers have the right to be presented with an accurate view of the full cost of a product. To that end,

it is imperative that airlines provide full transparency to the public, including corporate travel managers and travel agencies, with regard to all fares, fees and other charges related to transporting passengers and their luggage, as well as booking, ticketing, billing, and fulfilling those services.

NBTA is pleased the Department of Transportation issued a Notice of Proposed Rulemaking on this issue and looks forward to submitting comments. NBTA, like the Interactive Travel Services Association (ITSA), believes that many of DOT's proposed new rules on optional services will be useful to passengers in making better informed air travel decisions and further believes that DOT should issue guidance that requires transparency and full disclosure of ancillary fees.

NBTA recently conducted a survey of more than 160 U.S.-based corporate travel buyers in its membership. The results demonstrate the challenges posed to companies by the lack of transparency in airline pricing and the need for government to establish the framework for a solution. Our member's responses are clear – a majority of our members are unable to track the total amount spent on ancillary services. Without this information, they are unable to leverage the millions spent on fees in future travel negotiations:

- 58% of respondents are unable to track the total amount spent on ancillary fees
- 61% said it was very important to know the total cost of the trip
- 75% stated the most important reason to identify/track fees was to utilize this information for future negotiations
- 86% indicated the industry should develop an industry standard

DOT has the authority to address the issue of fees equaling fare. *See* 49 U.S.C. § 41712 and 14 C.F.R. § 399.84. As fares and fees become more complex, we believe DOT should use its existing and common sense authority to direct the airlines to provide full transparency.

While it is vital for our member companies to track and manage their air spending, this unbundled and non-transparent approach makes accounting exponentially more difficult. Ironically, this phenomenon can lead to a perverse incentive. That is, without an accurate picture of costs and benefits, businesses may travel less, not more. Worse, NBTA is concerned about the future of this trend. As reported by the Department of Transportation's Bureau of Transportation Statistics, the practice has grown dramatically. In 2005, ancillary fees totaled \$2.5 billion. In 2009, the ancillary fees totaled \$7.8 billion.

As the Subcommittee examines that growth, it should consider three questions at the top of our members' minds:

- Transparency of Fares and Fees – Is the travel supplier fully disclosing and identifying all charges essential for travel at every point of purchase?
- Tracking of Fees – Can corporate buyers track fees and charges when they are instituted or changed?
- Expense Management Compatibility – Can corporate buyers track all fees and charges through their expense management system?

Putting Forward Solutions - the Airline Ancillary Product Task Force

To better address those questions, NBTA has formed a global task force to help our members properly track ancillary fees. The NBTA Airline Ancillary Product Task Force represents a cross section of the business travel industry and includes credit card issuers, global distribution systems (GDS), airlines, intermediaries such as travel management companies (corporate travel agencies), and corporate travel buyers. Specifically, the following companies have executives participating in the NBTA task force:

Air Plus, Amadeus, American Airlines, American Express, Airline Reporting Corporation (ARC), Airline Tariff Publishing Company (ATPCO), BCD, Concur, Continental Airlines, Delta Air Lines, MasterCard, Monsanto, Sabre, Thomson Reuters, 3sixtysourcing, TRX, , and US Airways.

This Task Force will seek common solutions for these industry-wide challenges, such as standards for processing and tracking ancillary fees. NBTA believes this will benefit both the buyers and suppliers. The objectives of the task force are to:

- Educate NBTA membership about airline ancillary fees and their impact on managed corporate travel;
- Provide best practice examples of how corporate travel managers are assessing these additional expenses and adapting travel policy to address these fees;
- Approach these issue with a “solutions oriented” focus;

Additionally, this task force will serve as a resource for any new project proposals. For example, one of the first projects underway is to develop best practices for the improvement of airline data submission to credit card companies. Improvement in this critical area would result in enhanced corporate reporting on ancillary fees, regardless of the purchase point. NBTA looks forward to sharing the Task Force’s work with this Subcommittee.

Refund of Taxes on Unused Non-refundable Tickets

Finally, NBTA looks forward to the Government Accountability Office's analysis of the refundability of taxes paid on unused or non-refundable airline tickets. NBTA members have long been aware of the confusion in assessing what fees and taxes were eligible for refund on unused non-refundable tickets. The government should not be held to a lesser standard than the airlines - NBTA believes that DOT should disclose to passengers what fees and taxes are eligible for refund and set a process for administering the refunds.

Like airline fees, the refundability of taxes is a serious and complex issue. In the first quarter of 2008, NBTA conducted a survey of 225 U.S.-based travel managers on a range of issues pertaining to non-refundable tickets. In terms of ticket taxes, the survey found that 79 percent of respondents do not attempt to recoup taxes and fees on unused non-refundable tickets because of confusion. Specific comments included:

- "It is time consuming/not worth the effort;"
- "Didn't know it could be done" and;
- "The airlines don't have clear rules or procedures."

The survey also asked respondents to "guesstimate" the annual cost of taxes and fees paid on nonrefundable tickets that expire or are never reissued. Guesstimates ranged from a low of \$50 to a high \$350,000, with most between \$1,000 to \$150,000 per company.

A February 2009 *Wall Street Journal* article noted a lack of public information on the percentage of tickets that are unused and non-refundable, but cited informal estimates of two percent. *See Why Fliers Can't Donate Unused Tickets*, W.S.J., Feb. 10, 2009. If two percent of tickets annually are nonrefundable and unused, that would mean that approximately \$151 million in IRS regulated taxes are tied to such flights annually. NBTA believes, but is not certain, that the only fee that is clearly refundable is the September 11th Security Fee. Refund processes for other charges are either unclear and or nonexistent.

Conclusion

NBTA is grateful for the Subcommittee's efforts in providing leadership on airline fee and tax refund issues. We appreciate the focus and attention that this hearing will bring to these issues. We trust that Congress will continue to work with the industry to find solutions that promote transparency and consistency as they relate to travel fees and taxes. NBTA believes that with stakeholder input and additional regulatory guidance, issues related to airline fees and refundability of taxes can be fully addressed.