

Submitted by:

Roger Hale
President/CEO
ADTRAV Travel Management
4555 Southlake Parkway
Birmingham, Al. 35244
(205) 444-4802 – Direct
Roger.hale@adtrav.com

A Travel Manager's Guide to Airline Mergers

Airline mergers have been talked about ever since the “legacy” carriers came out of bankruptcy. It has never been a question of “if” a merger will happen, but rather “when” the merger will happen. Leading analysts predict that by the end of 2008 we will move from six “legacy” carriers to four and possibly even to three!

Is this consolidation good for the consumer, the business traveler and the travel industry as a whole? A major concern is that the merged airline will reduce competition and thus airfares will rise. While certain city pairs must be carefully scrutinized, overall I'm not as concerned about this for a couple of reasons:

1. There are a number of “non legacy” carriers that are both financially stable and eager to grow. The latest entrant, Virgin America, is well-funded and will provide some healthy competition to both legacy and non-legacy carriers.
2. The Federal Government typically ensures competition at slot controlled airports by making the merged company surrender some of their slots.
3. The new “open skies” agreement between the United States and Europe will bring some stiff competition to this segment of the market.
4. TMCs have helped corporations get much better at enforcing “lowest airfare” travel policies and moving travelers to preferred carriers. The ability to move market share effectively is the strongest weapon in the corporation's arsenal against rising prices.

I expect the Federal government to approve any proposed mergers this year. Therefore, Travel Managers should be prepared to do the following when the BIG announcements are made:

1. If you DON'T already have a negotiated discount, then maybe new consolidations will give you enough buying power with a single airline to negotiate a deal (most will require at least \$500,000 to \$1,000,000 in annual sales).
2. Don't be too quick to move away from the airline's corporate frequent flyer program (i.e. SkyBonus, BizPerks, etc.) to a negotiated discount. The free tickets earned under these frequent flyer programs may offer a better value to the company than a small upfront discount.

3. If you are currently enrolled in both airlines' corporate frequent flyer programs, then ask for at least one year to use the free tickets and other perks earned under the acquired program.
4. What if you have a negotiated discount with one or both of the carriers?
 - a. Ask that the combined airline honor the previous agreements for at least six months to a year. Better yet, see if they will expand your current program to include both carriers. However, make sure that the combined carrier honors your discounts for the corresponding classes of service.
 - b. If you have a program with both airlines, push them to accept the terms of the most lucrative contract.
 - c. If you are near the end of your agreement or feel you can now negotiate from a stronger position, ask the combined airline to present a new discount program for their entire network.
 - d. If you have a soft dollar, backend or free ticket program, ask that you get at least one year to use the money and tickets you've earned.
 - e. If you have a strong working relationship with one of the airline representatives then ask that he/she be assigned to your account after the merger.
 - f. Don't forget about those "waivers and favors" you currently enjoy. Ask that they be honored for the combined airline.
 - g. With airlines now charging for a second bag, ask for an exemption for all your travelers regardless of their frequent flyer status.

Overall, I believe that the Travel Managers who have a strong international component to their program will be in the best position to negotiate in the new environment. International travel is very lucrative for the airlines and there will be intensified competition, as mentioned previously, with the recent passage of the "open skies" agreement. Done correctly, I feel post-merger negotiations could actually result in a better discount level for the company on a higher percentage of their total airline travel.

However, one word of caution, don't get too enamored with the discount percentage. Remember, the discount is based on the published airfare. If the lack of competition drives up the published rates too much after the merger, you may actually save more money by using the published fares of lower cost carriers.

Hang on to your hat, 2008 is going to be a wild ride!!