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CHAPTER 1

Deregulation and Corporate Travel

Introduction

Since the revitalization of American business and industry during and after World War II, there has been a recognition among an increasing number of companies that travel is, or can be, a major corporate cost. Together with this recognition has come a desire to “manage” corporate travel or, perhaps better put, a desire to “manage” corporate travel costs.

Jack Witherspoon, past President of the National Business Travel Association, points out the reason corporate travel management is important, saying,

“The importance of the business travel manager really surfaces when one considers that the three highest costs incurred by any organization are salaries, data collection, and travel and entertainment. The only one of these three expenses that can be fully controlled through strident management is travel and entertainment.” (*Business Travel Review*, July, 1988)

Indications are that more than ten times the number of business travel managers are employed in industry today than prior to deregulation. However, in the era before deregulation there was far less to manage.

This chapter, and the five that follow it, clearly set the stage for corporate travel management. They identify the reasons why a corporate travel department is created, the political structure within which the corporate travel department operates, and the importance of corporate travel department mentors. These chapters also identify the roles and functions of corporate travel managers and of the corporate travel department. They identify the standard roles which tend to be found in every corporate travel department (although there are a very few exceptions) along with optional roles which are sometimes found in a number of corporate travel departments and, in some cases, are found in only a few departments. In addition to the roles, the functions of managing travel services, offering financial services, budgeting travel, and organizing travel expense and other reports are discussed. This section of the book also addresses the interrelationships between the corporate travel department and travel vendors. The travel agency and airline interrelationships are explored in detail as well as hotel and ground transportation interrelationships.

However, before the current status of corporate travel can be understood and appreciated, it is helpful to see why corporate travel management has expanded so rapidly. In order to do this, one needs some historical perspective.

Pre-deregulation

Prior to the deregulation of airlines and travel agencies, airlines were regulated. Regulation meant that airlines operated under strict policies and guidelines set by the Civil



Discussion Questions

1. What organization regulated airlines and, by extension, travel agencies prior to deregulation?
2. What were the beneficial aspects of the air travel system in the United States prior to deregulation?
3. What is meant by the term *interlining*?
4. Why did the National Business Travel Association, tour operators, and government executives want airline deregulation?
5. What had to happen to an agreement between the Air Traffic Conference and travel agencies for travel agencies to automatically receive anti-trust immunity?
6. For what reasons is the 1958 Federal Aviation Act important?
7. What role did a law judge play in effecting a ruling which would have the effect of law in the air travel industry?
8. What role did Presidents play in determining the award of new or abandoned air routes for service by air carriers?
9. What role did Judge Yoder play in travel agency deregulation?
10. What is the distinction between agency exclusivity and marketing exclusivity?
11. What happened in January, 1983 that opened the way for a corporate travel department to receive commissions for the tickets that it generated for itself?
12. What was the Air Travelers' Protection Act designed to do?
13. How did the changing of commission levels relate to the possibility of airlines paying commissions directly to corporate travel departments?
14. Is there a ruling that has set standards or criteria for non-travel agency vendors (corporate travel departments) as they relate to their direct appointment?
15. What kind of confusion occurred during the first week of deregulation?
16. What happened after World War II to change agencies from being steamship agencies to travel agencies?
17. Prior to deregulation in what ways did airlines discourage travel agencies from selling air travel to corporate travelers?
18. Prior to deregulation, in what ways did air carriers encourage corporate travelers to make reservations directly with the airlines rather than with travel agencies?
19. By August, 1981 how many new air carriers were certified to fly between states in the United States?
20. At the end of December, 1980 how many air carriers were authorized to fly between states in the United States?
21. Why did travelers move from booking air travel directly with carriers to obtaining their airline tickets through travel agencies during the first three months of 1981?
22. What factors resulting from deregulation resulted in an expansion of corporate travel departments?



Role Play Exercise

Two students may participate in this role play either out-of-class, as a fun way to review the chapter, or as an in-class exercise. One plays the role of the new corporate travel manager and the other plays the role of the experienced corporate travel manager. Please read the script and then pick up the conversation in your own words.

New Corporate Travel Manager: You have been a corporate travel manager for a good many years, haven't you?

Experienced Corporate Travel Manager: Yes, I was first in the marketing division of a major air carrier and then I worked for a travel agency. About four years before deregulation, I became a corporate travel manager and I have been in corporate travel management ever since. There have been a number of changes and it is often gratifying to be able to look at the historical perspective.

New Corporate Travel Manager: There are a good number of things I do not understand. Why does the industry work the way it does? Why did airlines pay commissions to travel agencies and not to corporate travel departments? I suppose these things have some kind of historical basis. What kinds of things happened in the past that have any bearing on the way we operate today?

Experienced Corporate Travel Manager: It may take a few minutes to explain, the historical perspective is important. Let me try to explain . . .

CONTINUE ON YOUR OWN



Group Discussion Situation: Updating the CTM at International Productions

International Productions is an international meeting industry supplier which supplies audiovisual equipment and other supplies for meetings in major cities throughout the world. The company has bases on four continents and major city distribution offices in twenty cities throughout the world. Its headquarters is in New York City with major overseas division offices located in London and Hong Kong. Jim Grayson started the corporate travel department for International Productions in the 1960s. This was Jim's first executive position with International Productions reporting directly to the President of the company. Jim was able to save International Productions twenty percent on its travel during the first year he was the corporate travel manager. He continued saving the organization a considerable amount of money on its travel as he served in the position of corporate travel manager throughout the years. Due to his excellent work, Jim was offered a liaison position in the London division office where he was responsible for purchasing audiovisual equipment in England and shipping it to offices throughout the world.

For family reasons, however, Jim needed to return to the United States and be based in New York again. His request for a transfer resulted in Jim's being reappointed to the position of corporate travel manager. He will be reporting to the President again, as he did before. The former corporate travel manager is being transferred to a position outside the country.

Because Jim has been in London for a good number of years, the current corporate travel manager wishes to have Jim receive a complete briefing on the major changes in corporate travel management since deregulation. Since the current corporate travel manager will be leaving two days before Jim's arrival, the corporate travel staff has been asked to brief Jim.

You are meeting today to finalize a written briefing for Jim. You are expected to reach agreement and to write a two-page summary briefing of the major changes since deregulation and how you see these changes affecting the operation of International Productions.

In your group session, select one person to chair the group. All will have an equal vote on decisions. In the group session, you are expected to reach agreements on the structure and basic content of the briefing paper and to prepare the two-page paper to be presented to the entire class by the chair of your committee.