AMERICAN EXPRESS® BUSINESS TRAVEL

“Up, Up, and ‘No Way!!’”
Strategies to Neutralize Increasing T&E Costs

The 2008 Global Business Travel Forecast Review

Michigan Business Travel Association Meeting

December 5, 2007

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Agenda

1 GBTF Highlights

- Policy & Compliance
- Air
- Hotel
- Car
- Meetings
- Online
- Corporate Social Responsibility

2 Q&A

2008 Trends Impacting Prices and Behaviors

Primary Pricing Pressures

- Capacity constraint among airlines and hoteliers
- Fuel costs
- Competition between leisure and business travelers

Corporation and Traveler Behaviors

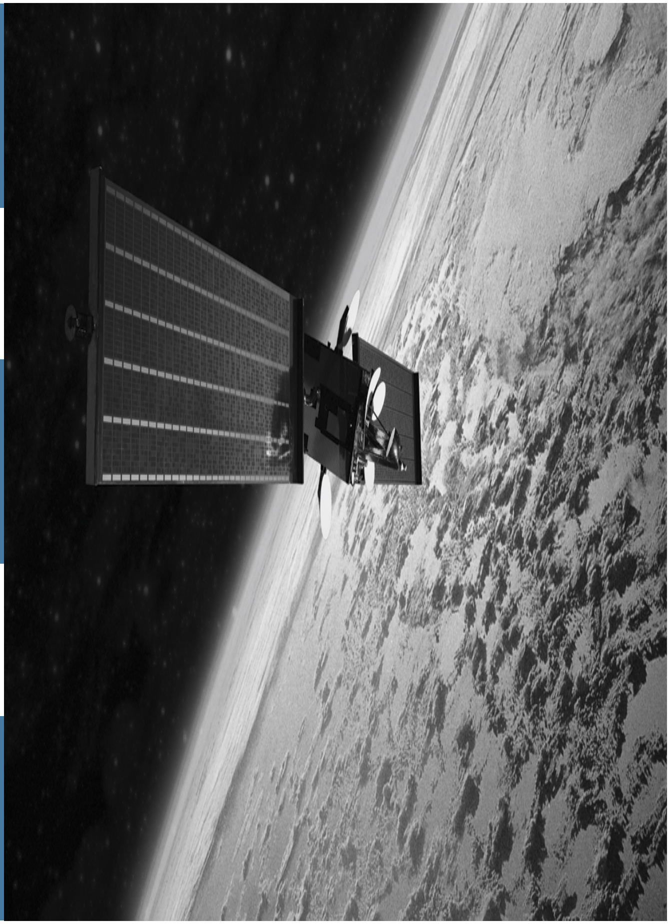
- Shift to procurement managers
- Travel Policies expand to be more inclusive of **T&E** policies
- Compliance measures get serious
- Online penetration reaches new highs

Global Business Travel Forecast: Global Impact

Change (%): 6.0% higher for Domestic, 6.9% higher for International vs. ‘07

Change (USD): $63 higher for Domestic, $205 higher for International vs. ‘07

Average Cost Per Trip (USD)*: $1,110 Domestic, $3,171 International



*Trip includes Air, Hotel and Car

GBTF Highlights - Policy

Transition from 'Travel Policy' to 'T&E Policy'

- Beyond key sourcing areas of air, car, hotel, meals
- i.e., Travel-related telecom

Strengthening policy language

- 'Should' vs. 'Required'
- Specific $$ Guidelines vs. 'Reasonable'

Expanding interest in policy work

- Assessment work continues to identify opportunities
- 150% increase in benchmarking and design/development

Policy work moving into different areas

- Meetings Policy
- Environmental Policy

Strategy Tips for Policy

What Can Travel Buyers Do?

Broaden approach to a total T&E spend vs. only key sourcing areas (i.e., air, car, hotel)

Build a strong, comprehensive policy that addresses:

- Savings opportunities
- Reduction of corporate risk
- Ways to improve processes

Use strong language to eliminate ambiguity and provide direction

GBTF Highlights - Compliance and Change Management

Companies will leverage greater Change Management and Compliance techniques to:

- Contain total spend levels in lieu of fare/rate increases
- Increase and/or, at least, maintain negotiated deals
- Manage travel to high risk destinations

Travel Managers will focus attention on changing behavior in 5 key areas:

- Lowering use of refundable airfares
- Optimizing use of advance purchase fares
- Defining more narrowly when first/business class fares can be used
- Driving online bookings
- Improving use of preferred suppliers, keen on improving hotel compliance beyond 50%

Savings from enforcing compliance will exceed 6.2% of air spend.

Strategy Tips for Compliance and Change Management

What Can Travel Buyers Do?

Yielding savings after sourcing requires influencing traveler behavior and driving compliance to travel policy. Tips to achieving results:

Identify category(s) where compliance is a concern (i.e., hotel, air, car, cost of trip).

Scope specific issues of greatest impact/concern:

- Air – Non-preferred carrier, No advance purchase, First/Business Class, etc.
- Hotel – Non-preferred property, Booking direct, etc.
- Car – Exceeding per diem rental rate, Higher car category than allowed, etc.

Start with passive approach moving to aggressive if needed…

- Passive: Track and report or notify travelers on booking out-of-policy reservations
- Aggressive: Require out-of-policy reservations be approved prior to ticketing

Global Airfare Overview

Global Airfare Forecast	Increases for 2008
Domestic/Short-haul (Economy Fares)	**1% to 4%**
International/Long-haul (Business Fares)	**5% to 8%**

- Globalization continues to spur business travel demand
- Capacity constraint, menu-driven pricing, jet fuel will impact ticket prices
- EU Open Skies Agreement
- Low fare models expand
- Policy enforcement / compliance from buyers and operational efficiencies by, and competition amongst, suppliers will keep fare increases to a minimum

North America Airfare Forecast

	Airfare Forecast Increases for 2008	
	Domestic / Short-haul (Economy Fares)	International / Long-haul (Business Fares)
United States	1% to 5%	5% to 10%
Canada - Domestic	2% to 5%	5% to 8%
Canada - Transborder	3% to 6%	2% to 4%
Canada - International	3% to 5%	7% to 10%
North America	**1% to 5%**	**5% to 10%**

United States Upward Pressure:

- Fuel prices
- Capacity constraint
- Sophisticated inventory and pricing technology

United States Downward Pressure:

- Slowing growth of demand
- Low fare penetration
- Stronger corporate compliance and enforcement

Canada Upward Pressure:

- Continued strong demand
- Improved International products
- Menu-based pricing

Canada Downward Pressure:

- Increased competition / capacity on key corporate routes
- Negotiated pricing

GBTF Highlights - Air

Europe Airfare Forecast

	Airfare Forecast Increases for 2008	
	Domestic / Short-haul (Economy Fares)	International / Long-haul (Business Fares)
France	0% to 2%	10% to 12%
Germany	3% to 4%	6% to 8%
Sweden	4% to 6%	6% to 8%
United Kingdom	-5% to -10%	1% to 2%
Europe	**2% to 5%**	**6% to 10%**

Upward Pressure:

- Strong demand, particularly to Transatlantic Far East, and South Asia
- Fuel prices
- Capacity constraint

Downward Pressure:

- Low fare penetration
- Competition with high speed rail
- The potential for slowing economic growth

Asia-Pacific Airfare Forecast

	Airfare Forecast Increases for 2008	
	Domestic / Short-haul (Economy Fares)	International / Long-haul (Business Fares)
Australia	1% to 3%	5% to 7%
China	2% to 4%	4% to 6%
Hong Kong	2% to 3%	5% to 7%
India	-1% to 1%	0% to 2%
Japan	3% to 5%	4% to 6%
Singapore	-1% to 1%	2% to 4%
Asia-Pacific	**1% to 3%**	**3% to 6%**

Upward Pressure:

- Strong demand driven by economic growth
- Premium product
- Fuel prices
- Capacity constraint

Downward Pressure:

- Low fare penetration
- A need to build market share

GBTF Highlights - Air

Latin America Airfare Forecast

	Airfare Forecast Increases for 2008	
	Domestic / Short-haul (Economy Fares)	**International / Long-haul (Business Fares)**
Argentina	4% to 7%	6% to 8%
Brazil	3% to 5%	6% to 9%
Chile	3% to 5%	2% to 4%
Mexico	-6% to -9%	3% to 5%
Latin America	**1% to 2%**	**4% to 7%**

Upward Pressure:

- Strong demand driven by economic growth
- Fuel prices

Downward Pressure:

- Low fare penetration
- Fare matching strategies by legacy airlines
- Increased capacity

Strategy Tips for Air

What Can Travel Buyers Do?
Education, Reporting, Consolidation
Prepare for menu-driven pricing.
Leverage long-haul and premium cabin traffic.
Consider buying-down to mitigate long-haul fare increases.
Benchmark against like companies to identify areas for improvement.
Use airline fair market share data to precisely identify how much share should reasonably be provided to each airline, and deliver on commitments.
Stay abreast of route and schedule changes in key city pairs.

GBTF Highlights - Car

Global Car Forecast

Region	Car Rental Forecast % Increase 2008
North America	2% to 4%
EMEA	1% to 3%
Asia-Pacific	1% to 3%
LAC	1% to 3%

- Cost of fleet is increasing
- Interest rate increases
- Increased competition due to ownership changes
- New terms and conditions in favor of the car rental suppliers

Strategy Tips for Car Rental

What Can Travel Buyers Do?

The ability to negotiate a "best in class" agreement is still within the control of corporations, here are some tips:

- Evaluate the company's car rental spend and provide the maximum amount of business to one or two primary car rental suppliers.
- Ensure employees refuel before returning the car.
- Do not over insure.
- Rent mid-size.
- Companies with over $150,000 in car rental spend, or about $1.5M in domestic air spend have the ability to negotiate with the car rental companies for improved rates.
- Before negotiating with a car rental company understand the company's car rental spending patterns. The more a company can define and understand their need for car rental, the better the company can negotiate the best possible terms and conditions.

Global Hotel Overview

Global Hotel Forecast by Region	Hotel Mid-Range Properties Increases for 2008	Hotel Upper-Range Properties Increases for 2008
Asia-Pacific	18% to 22%	18% to 22%
EMEA	12% to 14%	12% to 14%
LAC	8% to 12%	7% to 10%
North America	4% to 7%	5% to 8%

- Last room availability continues to decline
- Sophisticated yield management redefines the value of the contract
- Modified dynamic pricing contracts – suppliers backing off
- Eco-minded lodging

GBTF Highlights - Hotel

North America Country Forecast

Region	Hotel Mid-Range Properties Forecast Increases for 2008	Hotel Upper-Range Properties Forecast Increases for 2008
United States	4% to 6	5% to 7%
Canada	5% to 7%	6% to 8%

Notable 2008 Trends:

- Rising rates in North America begin to moderate in 2008
- High demand and low supply in key cities will continue to place upward pressure on rates overall

United States – Key City Forecast

City	Hotel Mid-Range Properties Forecast Increases for 2008	Hotel Upper-Range Properties Forecast Increases for 2008
New York	10% to 12%	12% to 14%
Boston	2% to 3%	9% to 11%
Philadelphia	7% to 9%	7% to 9%
San Francisco	4% to 6%	8% to 10%
Detroit	5% to 7%	10% to 12%
Chicago	5% to 7%	10% to 12%

GBTF Highlights - Hotel

Europe Country Forecast

Region	Hotel Mid-Range Properties Forecast Increases for 2008	Hotel Upper-Range Properties Forecast Increases for 2008
France	9% to 11%	9% to 11%
Germany	7% to 9%	10% to 12%
Sweden	15% to 17%	15% to 17%
Spain	7% to 9%	8% to 10%
United Kingdom	19% to 22%	21% to 24%

Upward Pressure:

- Rising business demand
- Competition with leisure travel
- Sustained high occupancy levels

GBTF Highlights - Hotel

Asia-Pacific Country Forecast

Country	Hotel Mid-Range Properties Forecast Increases for 2008	Hotel Upper-Range Properties Forecast Increases for 2008
Australia	9% to 14%	9% to 14%
China	11% to 16%	9% to 14%
Hong Kong	12% to 16%	13% to 17%
India	34% to 38%	38% to 41%
Japan	7% to 10%	6% to 9%
Singapore	27% to 29%	27% to 29%

Upward Pressure:

- Booming economy in some markets
- Business and Leisure travelers compete for supply in some markets
- Pressure greatest in mid-range properties
- High cost of construction, land and labor will create extreme increases in some markets

GBTF Highlights - Hotel

Latin America Country Forecast

Region	Hotel Mid-Range Properties Forecast Increases for 2008	Hotel Upper-Range Properties Forecast Increases for 2008
Argentina	10% to 15%	5% to 10%
Brazil	6% to 8%	5% to 7%
Mexico	2% to 3%	3% to 5%

Upward Pressure:

- Inflation and economic growth
- Business demands drive continued travel to region
- Steady demand from local tourists

Strategy Tips for Hotel

What Can Travel Buyers Do?
Know your strengths
Benchmark the current hotel program to understand where opportunities for savings exist.
Know the history of negotiated rate changes at key hotels from past years by reviewing year-over-year comparisons.
Consider adding alternate hotels – creates competition.
Leverage total chain spend to negotiate the best possible rates in key markets.
Have a plan for success
Always engage in a rate audit process once programs are in place.
Encourage adoption of the online booking tools
Prepare a negotiation strategy for every market.

GBTF Highlights - Meeting Management

Meeting management, including consolidation, continues to gain attention as a way to mitigate increasing meeting costs and a growing awareness of associated corporate risk

Key 2008 Trends	Key Considerations
Hotel market conditions continue to drive meeting cost increases	■ 10% increase in guestroom rate ■ 34% in average spending per meeting ■ High occupancy driving up guestroom rates
Small meetings identified as key opportunity to drive savings, productivity and reduce risk	■ 2/3 of all meetings are small (<50 people) ■ Small meeting management is decentralized
Increasing focus on compliance to support centralization and cost reduction	■ Meeting policy in place for half of companies ■ Toughening of policy and compliance strategies
As strategic programs mature, increasing efforts to consolidate globally	■ Efforts to replicate regional successes globally ■ Differing cultural perspectives and program structures present challenges

Strategy Tips for Meetings

What Can Meetings Buyers Do?

Consolidate and leverage meeting spending

Consolidation of meeting procurement and planning servicing.

Data capture is critical visibility and leverage.

Coordination of transient and meetings programs can enhance results for both.

Change event-level behaviors

Be flexible and objective during the venue selection and logistic planning process.

Consider additional cost reducing tactics including:

- Reduce meeting duration
- Reduce number of attendees
- Utilize secondary cities
- Solicit lower-scale properties

Utilize meeting professionals with an expense-management mindset to recommend opportunities to drive down costs without negative consequence.

GBTF Highlights - Online

Global Online Forecast

Region	Online Penetration Rate Forecast 2008
United States	**55%**

- Maturing market
- Increased procurement discipline applied to function of travel
- Improved transactional and technological capabilities
- Consolidation and globalization

Region	Online Penetration Rate Forecast 2008
Canada	**25%**

- Early-adoptive market
- Dominant airlines - Market dynamics
- Increased interest in end-to-end expense management tools
- Role of procurement oversight of travel to increase

GBTF Highlights - Online

Global Online Forecast

Region	Online Penetration Rate Forecast 2008
Europe	**30%**

- Northern Europe - mature market / Southern Europe - early adoptive stage
- Market requirements - low cost carrier and rail content
- Increased use of formal policies or mandates
- Business travel growth - concerns of rising costs; focus on control and containment

Region	Online Penetration Rate Forecast 2008
Asia Pacific: Australia	**50%**

- Overall market immature
- Early-adopters Australia and Singapore driving growth
- Business travel in China and India expected to accelerate
- India and Thailand targeted for corporate online tool 2008
- Lack of GDS deregulation challenge to online development in China

GBTF Highlights - Online

Global Online Forecast

Region	Online Penetration Rate Forecast 2008
Latin America	**15%**

- Fast-growing business travel market; developing e-commerce market
- Multi-national globalization and mid-size enterprises driving growth
- High percentage of administrative staff
- Access to content - low cost carriers

Strategy Tips for Online

What Can Travel Buyers Do?

Shift traveler behavior to the online platform to improve compliance to policy and preferred suppliers, and optimize travel spend

Leverage executive endorsement

- Build a business case to demonstrate online savings potential.
- Align key stakeholders and focus on top-down communications.
- Ensure ongoing advocacy by developing an executive scorecard to identify and measure cost savings, compliance and additional savings opportunities.

Implement change management campaign

- Develop a vision and strategy to address resistance and create a shared sense of program goals for both the corporation and the traveler.
- Leverage feedback and testimonials of "power users" or "program champions" to encourage adoption among the masses.

Stay abreast of technology advances

- Promote features designed to improve the user experience and drive productivity efficiencies.

GBTF Highlights - CSR and Environment

Corporate Social Responsibility (CSR) overview

- Procurement "Triple Bottom Line" – price, quality, responsibility
- Corporations realize it's a business issue – must act or lose!
- "Green = Green" concept
  - Lower emissions can mean lower and increase profits
- Why the business travel focus?
  - 5% to 30% of a corporations' total CO_2 footprint is from business travel

What's taking place and where

- 300% increase in client interest in NA
- Education transitioning into action
- 'Travel Smarter' programs vs. offsetting
- CO_2 footprint reporting / policy and program management / offsetting
- EMEA and NA leading the way; JAPA and LAC emerging

Strategy Tips for CSR and Environment

What Can Travel Buyers Do?

Determine:

Is CSR part of your company's culture, values?

Does your company have targets set to reduce CO_2 emissions

Do you understand the benefits and financial consequences of a more environmentally friendly T&E policy?

Take Action!

Set CO2 reduction targets aligned with the company targets

- Reporting to set baseline, show trending

Define your strategy for reduction

- Cut, reduce or compensate
- Educate
- Gain executive support

Understand how suppliers can assist you meet your goals

Update policy to incorporate 'Eco' aspects

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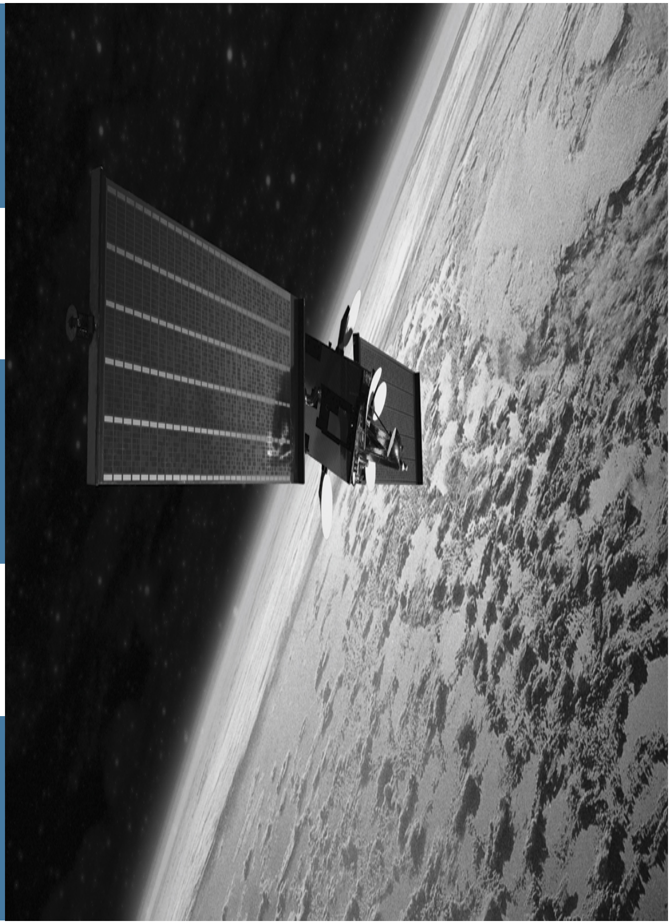

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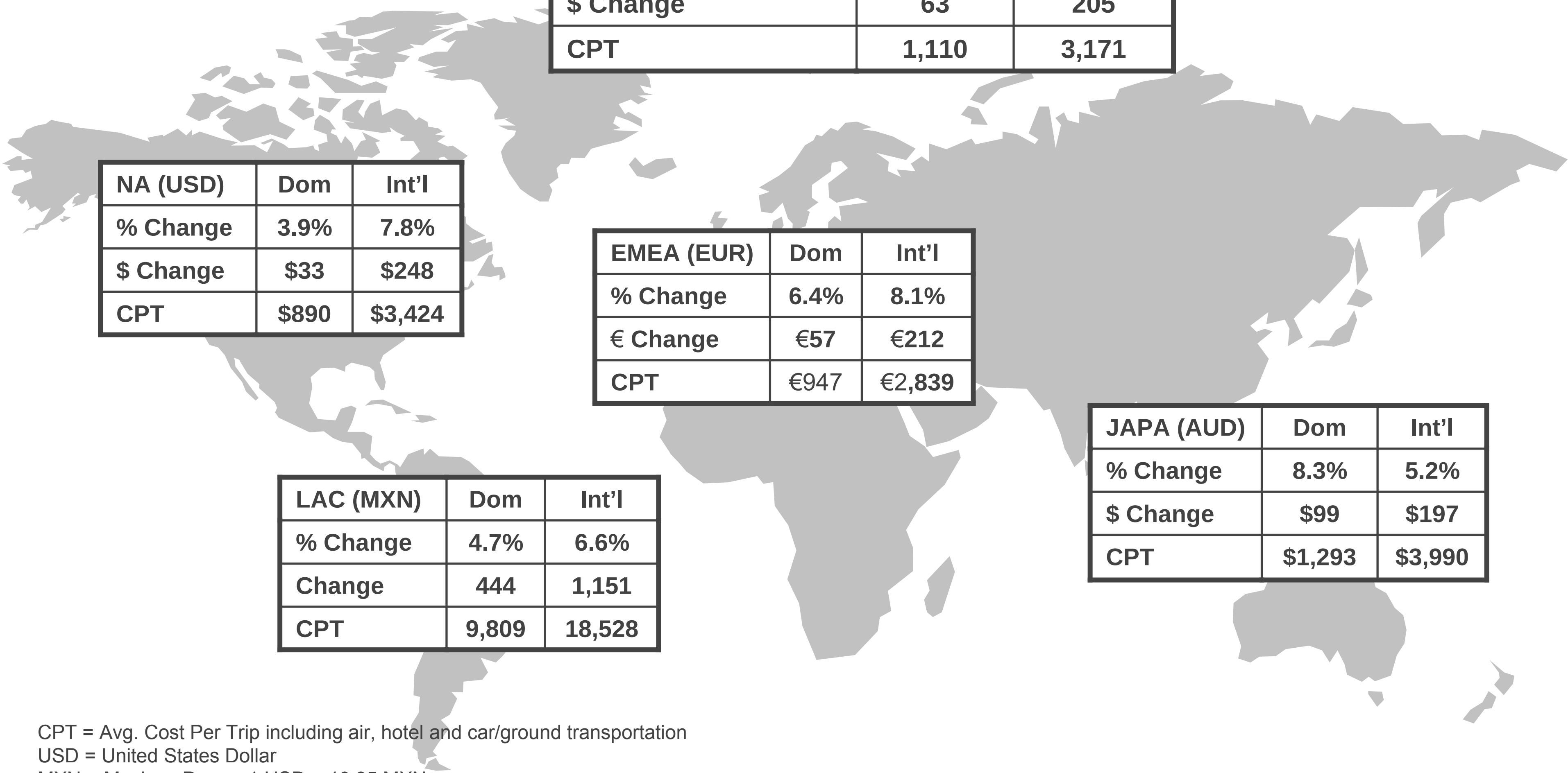
Global and Regional Impact



Global Average (USD)	Dom	Int'l
% Change	6.0%	6.9%
$ Change	63	205
CPT	1,110	3,171

NA (USD)	Dom	Int'l
% Change	3.9%	7.8%
$ Change	$33	$248
CPT	$890	$3,424

EMEA (EUR)	Dom	Int'l
% Change	6.4%	8.1%
€ Change	€57	€212
CPT	€947	€2,839

JAPA (AUD)	Dom	Int'l
% Change	8.3%	5.2%
$ Change	$99	$197
CPT	$1,293	$3,990

LAC (MXN)	Dom	Int'l
% Change	4.7%	6.6%
Change	444	1,151
CPT	9,809	18,528

CPT = Avg. Cost Per Trip including air, hotel and car/ground transportation
USD = United States Dollar
MXN = Mexican Pesos, 1 USD = 10.85 MXN
AUD = Australian Dollars, 1 USD = 1.12 AUD
EUR = Euro, 1 USD = 0.71 EUR
(Conversion rates as on 5 Oct, 2007)

Agenda