

Travel Cost Increases: 2006



The costs involved in air travel, hotels and car rentals rose continually throughout 2006, according to American Express Business Travel. This followed several years of flat or declining prices. The two main reasons for this, according to Mike Streit of American Express, were strong demand and increased operating costs. He confirmed that "In line with our predictions, capacity constraints, strong demand and high fuel costs prompted transient travel prices to climb in 2006"

In Asia, airfares increased considerably, by around 11%, and in China and India the rise was higher than any other part of the world. In the U.S., domestic airfares rose from an average of 201 to 216 dollars in 2006. The average international airfare rose to 1,707 dollars, up 5.8 percent for the year and 12.8 percent over the past two years. Costs for international hotel bookings also grew, by 8.5 percent.

This increase led to policy changes in some companies. Large companies can make travel cost savings of 20% by consolidating their business travel programs. They have found that standardization of policies and processes leads to a reduction in travel-related expenses. Companies are also increasingly using modern technologies such as conference calls in order to save money.

Travel costs are expected to grow in 2007. As Mike Streit says, "Keeping executives on the road while holding budgets in check will be a challenge for organizations in 2007".

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