

BTNonline:

New Lufthansa Performance Clauses Irk European Buyers

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By **Amon Cohen**

Some European travel managers are refusing to sign Lufthansa's controversial new corporate contracts that not only withhold rebates for missed targets, but also require clients to refund discounts paid up front and authorize the inclusion of potentially sensitive transaction data on marketing information data tapes the carrier buys from global distribution systems. Also stopping some corporate clients is Lufthansa's intent to impose these measures while not offering last-seat availability for negotiated fares.

Companies that agree to the contracts must make accruals in case they have to pay the airline back, said Jörg Martin, owner of Germany's CTC Corporate Travel Consulting, based in North Rhine-Westphalia.

Martin, who manages the travel programs of several German companies and negotiates on their behalf with suppliers, said his clients regard the new Lufthansa contract as unfair. „The contract includes a penalty clause in which the corporations have to accept they must pay back the upfront rate advantages if they fail to deliver the guaranteed number of tickets per route and booking class,“ Martin said. „Only tickets bought by negotiated fares are counted for the ticket target. Lufthansa market fare tickets on negotiated routes will not be counted. The risk can be up to hundreds of thousands of euro if they have to reimburse the upfront reductions.“

Martin said, „it is nearly impossible to negotiate the clause out of the contract. Only large corporations are able to do that, but even some big multinationals have not been able to.“ He has seen resistance vary by region, with travel managers in Frankfurt, where Lufthansa has high marketshare, caving more readily than those in Düsseldorf or Munich, where there is greater competition. Martin said similar clauses are appearing in Star Alliance contracts in cases where Lufthansa is the lead partner.

BTNonline offered Lufthansa an opportunity to respond to Martin's comments. It declined, stating: „The topic in question refers to bilateral contracts, and Lufthansa cannot comment on these or any related topics.“

Meanwhile, Lufthansa is pulling corporate net fares from German clients who refuse to allow their data to be submitted to marketing information data tapes sold by GDSs to airlines for route spend analysis, according to a corporate travel buyer whose company's negotiated fares had been removed. German travel management association VDR and a major travel management company confirmed the same has happened to several other German companies that refused to cooperate.

„Travel managers don't like the clauses which are being put into their contracts that they must give data through their TMC,“ said Hans-Ingo Biehl, CEO of VDR. „If they don't like it, they have to agree not to take the corporate discount. Lufthansa knows they are concerned.“

At the recent annual conference of the Guild of Travel Management Companies in Hong Kong, a TMC executive said Star Alliance carriers have issued requirements in Belgium for submitting marketing information data tape data. National carrier Brussels Airlines is a Star Alliance member and a Lufthansa subsidiary.

The global travel manager who revealed to BTNonline that Lufthansa is refusing to pay rebates for missed targets, who is based outside Germany and requested anonymity, is resisting Lufthansa's stance because it often blocks access to his company's negotiated fares.

„The problem is that Lufthansa does not allow us to book our negotiated fares on every flight as its yield-management system opens and closes booking class designators to control the revenue of each plane,“ he said. „If we had the equivalent of last-room availability, then removing our rebate for failing to meet our targets would be reasonable, but the new contracts could penalize us even if it is the airline's fault.“

VDR's Biehl confirmed the contractual obligations are alarming his members. „Companies which don't reach their targets will have to pay back their rebates or receive reduced ones,“ he said. „If Lufthansa's corporate fares were always available, this would be fine, but it cannot guarantee availability. We will see how Lufthansa will react when corporate clients do not sign their contracts.“

„We think big customers won't have a problem because they have the power to tell Lufthansa to give them a good deal,“ Biehl said, „but the small and medium companies don't have that power.“

Lufthansa introduced the data authorization clause in recent months in response to the revised European Union CRS Code of Conduct, published in March 2009. The revised code said GDSs only could include data from TMCs and clients if specifically authorized to do so.