

IN FOCUS

weekly industry update

News from TravelFocus
June 12, 2007



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[U.S. Citizens with Pending Passport Applications Allowed Temporary Travel Flexibility](#)

The U.S. Departments of State and Homeland Security announced June 8, 2007 that U.S. citizens traveling to Canada, Mexico, the Caribbean, and Bermuda who have applied for but not yet received passports can nevertheless temporarily enter and depart from the United States by air with a government issued photo identification and Department of State official proof of application for a passport through September 30, 2007. The federal government is making this accommodation for air travel due to longer than expected processing times for passport applications in the face of record-breaking demand.

The Western Hemisphere Travel Initiative (WHTI) was mandated by Congress in the Intelligence Reform and Terrorism Prevention Act of 2004 to strengthen border security and facilitate entry into the United States for citizens and legitimate international visitors. WHTI requirements for air travel took effect on January 23, 2007.

Adults who have applied for but not yet received a passport should present government-issued photo identification and an official proof of application from the U.S. Department of State.

Children under the age of 16 traveling with their parents or legal guardian will be permitted to travel with the child's proof of application. Travelers who have not applied for a passport should not expect to be accommodated. U.S. citizens with pending passport applications can obtain proof of application at: http://travel.state.gov/passport/get/status/status_2567.html .

This accommodation does not affect entry requirements to other countries. Americans traveling to a country that requires passports must still present those documents.

Since implementation, U.S. Customs and Border Protection has and will continue to exercise its current authorities in unique circumstances to allow individuals subject to the WHTI requirements into the United States based on other evidence of identity and citizenship.

As early as January 2008, the departments will begin to implement WHTI at land and sea ports of entry. A Notice of Proposed Rulemaking outlining a phased implementation is expected to be published in the *Federal Register* within the next two weeks. Travel document security remains a top priority for the U.S. Government. Both the 9/11 Commission and the U.S. Congress urged strengthening of travel documents to prevent entry of terrorists across our borders, reduce use of fraudulent documents, and speed up entry procedures.

[Avis Offers Drivers: Rental Car Co. Adds Chauffeured Option for Loyalty Members in 10 Key Markets \(Source: BTNMag.com\)](#)

Avis Rent A Car last week introduced a chauffeured driver service to its loyalty program members in 10 top U.S. business destinations, a move some speculated would prompt further synergies between car rental giants and chauffeured transportation providers. The new Avis service comes through an alliance with San Mateo, Calif.-based WeDriveU, a supplier of chauffeurs who work at an hourly rate out of customers' vehicles rather than their own. Customers can use the driver throughout the entire rental period or intermittently as needed.

Some chauffeured transportation suppliers made light of the announcement, but Boston-based Dav El Chauffeured Transportation Network CEO Scott Solombrino said it was a portent for his industry segment. "Avis is on to something, and my sources tell me this is going to continue in the industry," Dav El's Solombrino said. "It's a paradigm change. I've seen a couple in my career, and this is a big one."

Neil Abrams, president of Purchase, N.Y.-based Abrams Consulting Group, viewed the announcement as an attempt to push beyond the traditional car rental model. With tight margins and a limited customer base, car rental companies of late have sought new revenue sources, such as Enterprise Rent-A-Car's push toward more airport locations and Avis and Hertz Corp.'s increased off-airport presence.

"This is an industry where companies are constantly looking at more and more ways to decommo-ditize themselves, and this is one way," Abrams said. "They're basically following a Starbucks process and using their brand and distribution channel to push as much product and service as they can."

The Avis service is now available in Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New York, Phoenix, San Francisco and Washington, D.C., and within a 60-mile radius of those city centers. Booking the driver is done separately from the car rental booking, through an additional telephone call. Billing also is handled as two transactions, and Michael Caron, vice president of product and program development for Avis Budget Group, said there are no plans to merge those processes.

Solombrino said the model of keeping the billing separate also would be a hurdle to attracting

corporate business, though Avis' Caron said he expected a good mix of business and leisure use for the service.

Chauffeured transportation as a component of car rental is not uncommon internationally, Abrams said. German car rental company Sixt, in fact, started as a driving and tour service. In the United States, save a few attempts over the years by major companies, the two services largely have remained separate. "If it works, and they're successful doing it, others will follow," Abrams said. "That's been the nature of the rental industry."

Dav El's Solombrino said its success depended on industry follow-through, the lack of which killed past attempts. "One player would attempt to get into chauffeured car, no one would follow them in and the whole initiative would die, kind of like when one airline tries to do a price increase," he said. Solombrino said the time is now ripe for U.S. car rental companies to move into the chauffeured transportation space. Doing so has few barriers to entry, he said.

Car rental companies have the advantage of brand recognition, sophisticated technology, nationwide distribution, large fleets and massive sales forces with long corporate client lists, Solombrino said. Chauffeured companies and car rental companies alike feel the squeeze in fleet costs from struggling auto manufacturers, but car rental companies have the advantage of in-place systems to sell off excess fleet. Avis, to that point, announced May 31 that it has launched wholesale sales of its daily rental fleet vehicles through online auction service ATC Open. This allows the company to sell off its excess inventory even faster.

"It's a new process for us, and for anybody else in the industry, that helps us reduce our disposal expenses," said Greg Thibault, Avis' director of turnback operations and electronic sales channels. "It's purely a business-to-business transaction that allows us to remove cars from our fleet while they're still active." With escalating fuel costs, chauffeured transportation suppliers also have little wiggle room in lowering rates, so large undercuts from car rental companies could be damaging, Solombrino said. WeDriveU's service through Avis costs \$30 an hour with a three-hour minimum on top of car rental costs, which Solombrino said was significantly lower than most chauffeured rates.

David Seelinger, president of Norwood, N.J.-based Empire International, said the new service was not a concern to him. Price is only one of many factors in selecting chauffeured service, he said, and industry suppliers have been pushing that point to travel buyers ([BTN, July 17, 2006](#)). Travel buyers also are not accustomed to the Avis/WeDriveU pricing model, he said.

"Most of the pricing in the marketplace today is not on an hourly, but on a flat rate transfer basis," Seelinger said. "So, for them to market themselves to these large corporations that do millions of dollars in ground a year, they're going to have a very tough sell." Dav El's Solombrino said service was a key consideration, although pricing could trump that to an extent. It would require a new way of thinking for car rental companies, because their service usually ends when the customer drives off the lot, he said. "The question is whether they have the stomach for the training and the labor," Solombrino said. "Their biggest hurdle is to understand how to manage that business properly and not get themselves into trouble."

If the trend continues, Solombrino said to expect one of the major car rental brands to start looking at acquiring chauffeured car companies to offer the service in-house. Gary Kessler, president of chauffeured transportation revenue leader Carey, declined to speculate on any future acquisitions but said he welcomed the competition from Avis. "The chauffeured transportation industry is a very competitive industry with lots of quality players, and I'm pleased to see a company with Avis' great reputation for service entering the industry," Kessler said. "It can only make us all better."

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