

VDR POSITION

Payment Practice Airline Tickets

Pay As You Check In

As at: May 2020

Payment of airline tickets upon provision of services

Up until now, the current pay-in-advance business model adopted by airlines and tour operators and accepted by the courts and policymakers has been viewed primarily from the perspective of insolvency risk and consumer protection.

However, the coronavirus crisis has shown that this business conduct as such, now needs to be viewed more critically. One of the reasons why the crisis has had such a massive impact on companies is that this long-established business model allows the business to be permanently funded by customers because the money for flights or package tours is paid well in advance. If, as was the case this year, a crisis – not necessarily a pandemic of current proportions, it could also be a volcanic eruption or regional conflicts - leads to a large number of cancellations, the companies are simply not in a position to reimburse the money due to the customers. The “customer-funded” model then acts like a fire accelerant and is therefore an inherent flaw in the system. This crisis offers a chance to set up a new model that distributes the risks in a more balanced way and puts an end to the previous practice, which disadvantaged business travellers and private consumers alike. The fact that customers cannot rely on their reimbursement rights if flights are cancelled is demonstrated by the recent practice of airlines during the coronavirus crisis. The standardized reimbursement procedure for cancelled flights has been simply removed from current systems – the amounts have not been paid out and customers have been fobbed off with a voucher or the option to rebook.

"Pay-as-you-check-in" is an option, which allows customers to pay for the airfare at check-in, i.e. when the service is provided. Common credit card payment solutions guarantee payment, as successfully practiced in the hotel sector for years. If flights are cancelled, there is no need for reimbursement of the airfare and this saves time and expense for all parties involved. This option also offers legal security, as there is no subsequent need to assert claims or meet demands. The state would not have to step in to meet the reimbursement obligations of insolvent airlines, and no additional insolvency insurance would be required.

Customers should have the option to select "pay-as-you-check-in" for all fares – it should not just be confined to the high-price segment or only available from a certain sales volume, as some airlines stipulate. Immediately payable fares can still be offered as an additional option – but it is the customer that ultimately decides.

Such a changeover would not be disadvantageous for travel agencies as intermediaries. The fee for their services to business travel customers is due when the booking is made and thus the service is provided. Discussions are currently underway and they should include an examination of how commission models with service providers, such as airlines, would be affected by this.

Airlines, and indeed the entire travel sector, will now receive billions of euros in start-up aid from the government, and a consolidation of the aviation market can be expected. These costs will be borne by the taxpayer and future passengers, that is to say by companies with business travellers as well as holidaymakers. This crisis has effectively shut down an entire industry but starting from "zero" is a great opportunity to break away from the "customer-funded" business model and work towards a sustainable business model that is also fair for customers and travel agents.

Verband Deutsches Reisemanagement e.V. (German Business Travel Association, VDR)

The Verband Deutsches Reisemanagement e.V (German Business Travel Association – VDR) is Germany's association for business travel. It represents the interests of German companies on issues affecting the general and competitive conditions for business travel and mobility. It campaigns for efficient, economical, safe and unhindered global travel possibilities for businesses. With over 560 member companies, it represents total sales in the business travel sector of more than twelve billion euros annually.

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