

BTNonline

Lufthansa Announces Credit Card Fee, AirPlus Offers Exemption

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By Amon Cohen

AirPlus International on Wednesday announced the launch of a debit-based centrally billed account that will not be subject to a new credit card booking fee also announced Wednesday by its parent, Lufthansa Group.

The new airline fees will be applied from Sept. 5 in Finland, the Netherlands and the United Kingdom—markets where the home carrier already imposes a card fee—and from Nov. 2 in Belgium, Germany and Switzerland, the same day on which AirPlus will debut its Debit Account. The fees will apply across all sales channels.

Lufthansa's apparently preferential treatment for a product issued by its own payment subsidiary already has attracted criticism, but AirPlus United Kingdom managing director Yael Klein said her company soon will announce that other airlines are waiving card fees for users of the new AirPlus debit product. Klein said AirPlus discussed the debit account concept with other airlines long before addressing the subject with its parent.

The AirPlus Debit Account currently is the only lodge product that will be exempt from Lufthansa's new „Optional Payments Charge,“ but only on bookings with the main Lufthansa airline and Swiss. The OPC also will be applied on tickets booked with Lufthansa Group's Austrian Airlines, British Midland International and Brussels Airlines.

Based in Hueckelhoven-Ratheim, Germany, CTC Corporate Travel Consulting proprietor Jörg Martin condemned the simultaneous announcements of the debit account and the Lufthansa surcharge. „Lufthansa seems to be protecting the business of its own credit card daughter company,“ he said. „In recent years, it has been obligatory in Germany to use a credit card payment solution to get a Lufthansa corporate contract. To ask for an additional fee for a supplier-mandated process and offering an in-house payment solution as the only free-of-charge alternative is very bizarre.“

Electrolux global commodity director mobility and facility Jo-Achim Hamburger also offered scathing commentary. „This is not a fair market opportunity for other card providers,“ he said. „I don't know if the European Commission will like Lufthansa wanting to support and protect its own product, but it must have made a lot of legal checks to cover itself.“

Klein rejected accusations of favoritism. „We have been working on the debit account since 2009,“ she said. „We have been very open about the need to find a model [to deal with airline credit card charges]. We have been talking to many airlines, in some cases long before we spoke to our own mother company, and we are hoping to announce some other airlines [offering fee waivers] within the next few days or weeks. It was a logical step for Lufthansa to approach us about a debit account because we are the only card company that has been talking about it.“

When asked if Lufthansa is giving preferential treatment to its own subsidiary, a spokeswoman for the airline group replied: „In general, the Optional Payment Charge applies to debit cards as well, because these are entered into global distribution systems in the credit card format. An automated differentiation of debit and credit cards in GDSs is not possible. Significant costs are also incurred for using the most popular debit cards. As a result, there is no general justification for exempting these cards. Exemptions are possible depending on the cost structures of individual debit cards.“

This is not the first time in recent months the relationship between Lufthansa and AirPlus has caused controversy. Germany's federal cartel office in April launched an official investigation into whether Lufthansa's corporate contracts illegally enable the airline to gain access to confidential competitive information. The contracts oblige clients to authorize their card issuers to forward data to AirPlus. However, both Lufthansa and AirPlus, which claims a 66 percent share of the German corporate payment market, insisted to BTN that confidential data is kept from the airline through a series of „Chinese walls.“

Weighing Debit Versus Credit

The new AirPlus Debit Account offers broadly the same features as the standard Company Account lodge product. As is the case with the Company Account, clients using the Debit Account can append several fields of corporate data, such as cost centers or employee identification numbers. The main difference is that transactions through the Debit Account are debited immediately whereas clients usually have two weeks to settle their Company Accounts.

Customers therefore will have to weigh the advantages of avoiding the OPC with losing their credit facility. Klein said AirPlus will provide a savings calculator to help clients make that assessment. Clients also should consider the loss of credit card issuer rebates and process duplication if they switch to the debit account for Lufthansa and Swiss tickets but not for other airlines. „The implementation will cause considerable additional work and cost,“ according to a statement from German travel managers' association VDR.

„I don't envisage everyone changing, but before this there was not an option,“ Klein said. „You could stay with credit or move to invoicing. We have to embrace change, work with it and move forward.“

Thomas Stoeckel, BCD Travel senior vice president for supplier relations in Europe, the Middle East and Africa, told BTN that a client's decision on whether to switch to the AirPlus Debit Account or to invoicing (for which many German TMCs, including BCD, charge a fee) will depend on their destination mix.

German Travel Managers ,Astonished'

Lufthansa's Optional Payments Charge will follow similar card surcharges already applied by British Airways, KLM and many budget airlines. In a slide presentation sent to agents on Wednesday, Lufthansa noted that corporate fares for German and Swiss clients until March 31, 2012, will be exempt from the OPC. It added that no contractual amendments will be necessary and there will be no impact on net flown revenue.

BCD's Stoeckel told BTN that Lufthansa Pay As You Fly customers also will not be affected until March 31, and added that there are indications larger clients may end up avoiding the OPC altogether. Because March 31 is the date current Lufthansa corporate contracts expire, „the OPC could then become a subject for negotiation,“ he said. „The target group for this fee is very much the small and medium enterprise client.“

Nevertheless, the Lufthansa move drew swift criticism from German travel managers, The Beat reported. „German companies are spending more than 11 billion euros per year for business flights,“ according to VDR president Dirk Gerdom. „The new payment charge increases costs up to 2.5 percent, although the merchant fee Lufthansa is paying to the credit card companies is most probably less. We are more than astonished about this step by Lufthansa. Only in November 2010, at the VDR fall conference, Lufthansa gave assurances that a credit card surcharge would be out of the question.“

Electrolux' Hamburger said, „What we see here goes back to the 1960s, when the client was forced to pay by cash or invoice. We are in a uproar.“

According to a Lufthansa spokeswoman, „The fees will only partially cover the credit card costs. Last year, Lufthansa had to pay credit card fees of a three-digit-million euro amount. Therefore costs will be shared between the airline and the traveler.“

The fee will be □7.50 in Finland and the Netherlands, and £4.50 in the United Kingdom, the same as charged by the home carriers. In Germany, the fee will be €5 (including value-added tax) for German domestic journeys, €8 for flights to the rest of Europe and €18 for long-haul flights. In Switzerland, the fee will be 6 Swiss francs for domestic flights, 11 Swiss francs for other intra-Europe flights and 22 Swiss francs for long-haul flights, and in Belgium there will be a flat fee of □7.50.