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QTravel Program Review
Final Report

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INTRODUCTION

- This report seeks to satisfy the requirements of “RFQ No.02-2022-v2_QG_QTravel Program Review”, with a focus on:
 - market analysis
 - services delivery model assessment
 - preferred delivery model recommendation; and
 - evaluation and strategy development,
- ... across the three service areas of:
 - Travel Management, including travel management and booking services from a travel management company (TMC), hotel aggregator services and an online booking tool (OBT)
 - Air Charter and Aerial Work Brokerage Services
 - Travel Risk Management (Insurance and travel advice/emergency assistance services).
- It is also a vehicle for our broader ideas and suggestions for how to establish a travel management model and program that will be the basis for achieving best outcomes from near term tendering, and longer term across the anticipated changes in the travel industry and supply chain.
- This Final Report follows and draws upon the already delivered Sub-Reports:
 - Supply-Side Sub-Report – 33 pages
 - Internal Travel Management Sub-Report – 77 pages
 - Lessons Learnt Report – 16 pages
 - Change Management Report – 8 pages (and the accompanying Excel-based Change Management Model)
- To gain full value from this document, it is not necessary to refer back to the sub-reports for information. It is self-contained. However the sub-reports contain a large amount of useful information and context that we hope will assist you in using this report, and with your travel management in the future.
- We are also delivering the Excel-based Travel Management Options Model, to assist with decision making.
- A list of acronyms and industry terms used in this report:

TMC: Travel Management Company = a travel agency specializing in business travel	
Aggregator: Hotel Aggregator	OBT: Online Booking Tool
GDS: Global Distribution System = the big global electronic travel inventory systems	
NDC: New Distribution Capability = airlines’ initiative for direct distribution	

A: YOUR STARTING POSITION: THE STATUS QUO

1. Your Current Model

i. A Tri-Partite Travel Management Model plus Two

- Whereas most organisations contract only with a TMC to provide booking and travel management services, as well as the contract with CTM, QTravel has contracts with the independent OB T provider Serko and the hotel aggregator HRS. Large travel buyers sometimes use a hotel aggregator due to the size and special nature of their accommodation program. This is common among your public sector peers in Australia. Few travel buyers have a separate contract or even relationship with an OB T provider because OB Ts are offered by TMCs as a part of their pre-packaged and integrated “technology stack”.
- You have a contract with the risk management company International SOS, which is common and advisable for any organisation with substantial business travel, especially overseas. You also have a contract with Chubb Insurance, one of the five ISOS preferred “strategic” insurance partners. (The other four are Marsh, Hiscox, BUPA and Cigna.) Such preferred partner supplier pairs are good in that they usually deliver a cooperative and well-functioning alignment services. In this case it is particularly positive because users of risk management services quite often don’t have the fact recognized in their travel insurance policy terms. But any service pairing can reduce value and service if either party ushers in the other and influences selection or contract terms.
- Your point of difference is that unlike many, you use the risk manager’s duty-of-care traveller tracking and communication system. This is also a standard offering from TMCs included in the basic fees, and most travel buyers use the TMC’s system.
- You also have a contract with two air charter brokers providing air charter booking and management services. Use of a broker is standard for sizeable users or chartered air travel. It is less usual to formally engage more than one. Multiple brokers would be used not because it enable competition per charter (there will often be only one air operator), but because it potentially covers more operators and destinations. In your case the coverages are the same geographically, but they will probably have differences here and there in the operators that they have access to and relationships with.

ii. Full Four Service Engagement with the Hotel Aggregator, Integra /ted

- There are three variables regarding hotel aggregators: (1) Whether to use one (most travel buyers don’t), (2) If you do, which services to procure, and (3) if you receive their booking services, do you try to integrate with other suppliers.
- Hotel aggregators can provide four types of Service
 - Inventory: The creation and maintenance of an inventory of properties with rates and terms, ideally as the result of negotiations especially with higher use properties, and stored and accessed in an automated database
 - Booking: Providing the actual quotation and booking service either manual through accommodation booking consultants, or via both a manual service and an accommodation specific OB T linked to your inventory
 - Property Management: Management of the relationships with and performance of all the properties, including availability, service and payments
 - Program Management: Strategic management of the accommodation program including room night allocation

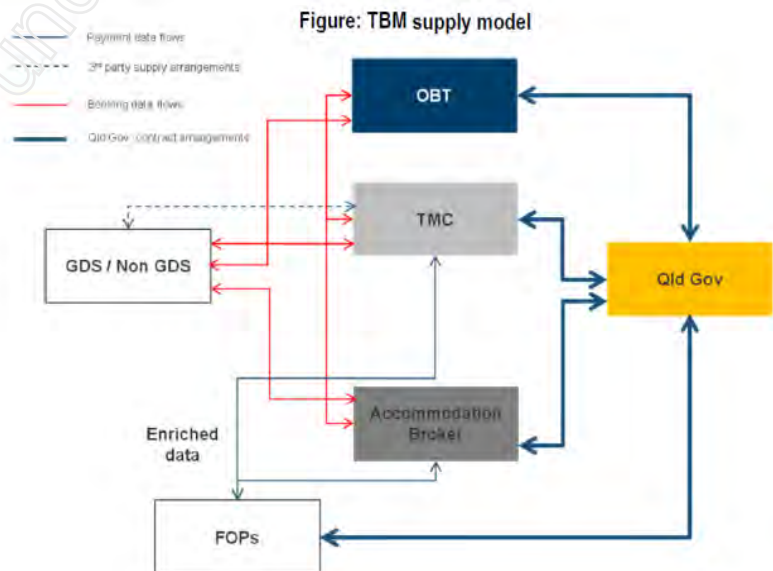
- QTravel’s model engages the aggregator to provide all four services.
- Some users of aggregators engage them only to build and provide large property inventories. When this is done, it is quite often paired with the property management service. Both these services are large undertakings because of the large number of properties, negotiations and deals required to construct a best possible inventory and maintain it. Given the cost of the time and expertise required, they tend to be the aggregator services chosen.
- You also have the aggregator contracted to deliver strategic program management services through an account manager. This is unusual since it is a high-impact low-cost task that is normally kept separate from any supplier.
- The aggregator provides both a booking consultant team and an accommodation OBT, which you have connected by the process described in the next section about the TBM. Where aggregators are used to also provide the booking process, there is a mix of approaches in the markets here and overseas. Basically, the older approach was to have two separate booking channels joined only by profile data and, post booking, reporting and invoice data, meaning fragmented bookings. The newer and better approach is to have the bookings merge in the booking process itself, as you have done. This however can be complicated, and doesn’t always work well.

iii. An Uncommon Travel Booking Model

(Note: In this report, words like “unusual”, “uncommon” and “atypical” are not euphemisms for disapproval. Our recommendations at the end include some uncommon suggestions.)

- The usual TBM here and overseas is TMC-based. A hotel aggregator is not used. The OBT, whether it is TMC-owned or independent, is a part of the TMC’s package no different to various other systems and resources used to provide the complete service. The OBT is a system in the background, albeit the main one, that you have no relationship with and access only through the TMC.

- Your current TBM therefore has two points of difference. You have a direct contract with the OBT Serko, and you use an aggregator for all services including booking. You describe the TBM and the parties’ duties and connections in the contracts, and have the diagram to the right showing the links and flows.



- The data and booking flows are relatively complicated and dependent upon use of multiple APIs.

- The final point of difference is that you have the traveller profile data being housed and managed by the OBT and not the TMC. This is good if you want to change TMC or aggregator but keep the OBT, which is the best supplier flexibility to have because the OBT, if chosen well, is more likely to continue to update, improve and satisfy requirements. This is presumably the reason.

2. Extraordinary Requirements

... that is, above and beyond the standard good outcomes required of a travel management program across cost, service quality, usability, efficiency, sustainability, compliance, privacy and safety.

- We comment here on the extent to which we feel the current model is delivering on each.

i. Special Services

- As with your peer constituencies here and overseas, various government services related to emergencies, health, justice and law enforcement, health and remote government services delivery require additional and enhanced air, accommodation, ground transport, booking, risk management and travel management deliverables.
 - This requires the use of a specialist air charter manager, which you have.
 - This requires the use of a specialist risk management firm, which you have.
 - This requires the use of a hotel aggregator, which you have, if it is true that aggregators provide better accommodation management services for large, complex and remote accommodation footprints than a TMC, which aggregators claim and TMCs dispute.

ii. Travel Insurance Still Settling and Warrants Attention

- Travel insurance requires careful attention at this time. Terms for new or changed types of cover typically take a year or two to settle into a competitive market norm (McKinsey). During that time, terms can be quite variable, as coverage limits and qualifications, payment limits, premia and other details develop. With travel and Covid, there are several things to consider, such as “known event” exclusions, duration, destination insurance requirements, stopover coverage, losses due to travel bans and closures, and pre-trip contact provisions. You are in a good position because you engage the full services of a risk manager, limiting many insurable consequences. Also, as mentioned, it is beneficial that your risk management and insurer have a partner relationship, meaning that each can fully recognize the value of the other, especially the limits to the risk facing the insurer. But we think that since travel insurance terms are still in a state of flux, it would be worthwhile shopping for a best deal when you can. Your incumbent risk manager has partnerships with five major insurers.
- Regarding the model, insurers do not have relationships with TMCs such that they are included in TMC service packages. We would not include insurance in the main RFT because the TMCs would probably insource offers from insurers to include them in their bids.

iii. Air Charter

- Unlike most travel buyers, you have a large need for air charter services across many locations in a very large territory.
- The current two-broker model is a good solution for your unique scope. Having only one would be too limiting and make you too dependent on one source in a market where the chief issue is the

availability of unique ad hoc supply. The dual-broker arrangement also enables competition per service. Based on our discussions, it appears that one of the brokers is under-performing, with process and service glitches that still need improving despite measures taken to resolve them. This would be addressed by the rigour of a tender.

- In terms of structure, we think you should continue to have separate contracts with two charter brokers. There is no need to have a panel, unless you find that you need more brokers to cover your charter routes but do not want to contract with extra suppliers. A position on a panel might encourage them to provide a good service even though there are already two contracted brokers in place.
- The large TMCs have specialist services tailored for the FIFO needs of the resource sector. These were developed in Australia during the resources boom. The bulk of these services manage the bulk movement workers on remote routes. The TMCs also provide site management software, and integrate FIFO travel with scheduled air services. A smaller part of this is the provision of air charter brokering service. TMCs do offer charter broking and booking. One of your incumbent brokers is just such an entity. Therefore, when sourcing air charter brokers, it would make sense to include this as one of the several service components in the main RFT, because then you would probably receive competitive bids from all the TMC linked broking services. But the non-TMC independent charter brokers would also be able to bid just for this service area. And the outcome should be separate contracts with the winning charter brokers so that you have full vision and control, not obscured within a TMC's service package.

iv. Broad and Deep Accommodation Inventory

- Few travel buyers travel to as many remote and under-developed locations as Queensland Government. You are one of only a dozen or so organisations in Australia that have the needs this creates. You need:
 - Specialist, manual booking services
 - Broad air charter services
 - A large accommodation inventory that includes many secondary, small, remote, non-standard, non-GDS and unautomated properties.

v. High Data Security

- Because you are government, data security has stakeholders beyond your organisation, and could have security and political ramifications. Therefore, a proactive approach towards a best possible leading-edge practice is advisable, given the poor natural state of travel data security

vi. Cyber Security

- Similarly, since travel places your information in many hackable locales, and because your internal systems are linked, travel should be a focus for cyber-security policy and effort.

3. Your Key Sensitivities

i. Serko and CTM – Has Become An Unnatural Pairing Since Contracting Them

Your TMC and OBT make an “unnatural pairing”. Every OBT needs the support of a TMC. The TMC does certain tasks that complete and service bookings made through the OBT, called “fulfilling”. And substantial integration between their systems is necessary. Because the TMC has the “critical mass” of systems, the “technology stack”, it usually is the main driver of the relationship. Of course, if the OBT is an in-house TMC owned piece of technology, none of these issues apply. But

for independent OBTs, 90% of their business comes from situations where the TMC is their system buyer, and the OBT supplier is the subservient seller. Even if the OBT has a forward position with a particular travel buyer, overall the TMC is the dominant party in the relationship.

- Also, every TMC has a preferred OBT. When they own the OBT, naturally they heavily favour or insist upon its usage. But even for TMCs that insource an independent OBT, they have a preferential volume based deal with that TMC and push its use.
- Your TMC CTM has built its own OBT, Lightning. Prior to Lightning's release a few years ago, CTM had a strong relationship with Serko as its preferred OBT. CTM continues to fulfil Serko for the benefit of existing clients that it has not switched to Lightning. CTM and Serko have made a separation arrangement. CTM will allow clients to continue to use Serko for a period, but will not support any enhancements or the upgrading from Serko Classic to Serko Zeno, it's much better product released two years ago. CTM will stop working with Serko entirely in December 2023.

ii. The Performance of the Hotel Aggregator in Charge of Inventory

- **INVENTORY:** Since, like most of your peers, you outsource the building of the accommodation inventory to an aggregator, it is they that determine the coverage, content and value of your hotel program. You are not at the sourcing coalface. The outcome is therefore dependent upon their skill, integrity and effort.
- **HOTEL RATE, ALLOTMENT and SERVICE PERFORMANCE:** Similarly, because, like many of your peers, you outsource the ongoing management of the properties in your program to an aggregator, you are not at the supplier management coalface. Again, the outcomes depend on the performance of the hotel aggregator.
- **QUALITY OF BOOKING ONLINE BOOKINGS:** Hotel aggregators do not have OBTs that are equivalent to the OBTs provided by TMCs and independent OBT suppliers, like Serko. In our tenders for OBTs, we have a functionality checklist of about 120 requirements. There are many things that an OBT needs to do to deliver value, efficiency, ease-of-use, compliance and safety. Aggregator's accommodation specific OBTs don't measure up. If an organisation were to use a hotel aggregator's OBT for online accommodation bookings, it would probably not be getting the best outcomes in terms of value, risk management and user experience. We understand that in your case this is minimal. We have done extensive assessments of online booking tools. Simply put, hotel aggregator's online booking tools are no match for those of TMCs in terms of functionality, nearly all of which adds value. In our RFTs we apply a 120 point functionality checklist when evaluating the OBTs.
- **ADDITIONAL INTEGRATIONS REQUIRED:** As discussed above in Section A: 1 (iii), the extent of "wiring" in your booking model presents a risk.

iii. Additional Sensitivities in Your Model

- **INTERNAL RESOURCES REQUIRED:** You substantially reduce the internal resources required by outsourcing most of the accommodation management tasks to a hotel aggregator. But your tripartite arrangement of contracts with a TMC, aggregator and OBT does increase the contract management task. Most large travel buyers have a contract and relationship with only one of these three, the TMC. However, in our opinion, if you use an aggregator (which may turn out to be the best option depending on the offers received in the tender) then you need to contract with them and manage them. And we also support having a contract, or at least an active direct relationship, with the OBT since this detours the "TMC filter" which can result in higher pricing and sub-optimal service and systems delivery.

- SERVICE DUPLICATION: Good duty-of-care (DoC) systems are provided by both TMCs and risk managers. You opt to use the one provided by your risk manager. This is a perfectly good approach since the two parties integrate data well. But the TMC financial terms should reflect the absence of DoC system provision. TMCs provide all the services that a hotel aggregator can deliver. Aggregators claim that they do a better job since accommodation management is their core activity. TMCs differ, and basically regard aggregators as an unnecessary competitive irritant. Unless your TMC owns your aggregator (and at present it doesn't), a successful cooperative joint service delivery from the two usually requires some measure of guidance and control by the client.

B: THE BUSINESS TRAVEL ENVIRONMENT

- Substantial detail is provided in the "Supply Side Sub-Report #1".

1. Current Industry Developments

i. The "Talent Crunch"

- As you would well know, companies across the travel supply chain globally had to reduce their workforces due to the length of the pandemic downturn and are now, with only a domestic travel recovery at hand, are having great trouble in rehiring. The need for staff will increase again when international travel recovers in 2023. TMCs, airlines and airports in particular cannot meet the demands for their services even with the partial recovery in domestic travel only. The problem looks set to last.
- The GoldSpring team expects that it will take between 2 and 3 years for equilibrium and new a normal to be set. The workforce restoration from new starters will not be quick for business travel services because of the necessary higher skill levels. Most beginner corporate booking consultants are two or more years into the industry already. Efficient, skilled and service-focused corporate booking consultants take another two or more years to develop. This will be fast-tracked, but still take time. We are likely to have a significant number of under-developed corporate booking consultants servicing business clients in the coming years. There will be competition between clients for the established experienced booking consultants. The situation will be alleviated by greater use of OBTs, especially as AI based enhancements are released.

ii. Air Service Recovery Lags

In addition to not being able to find the people, airlines have been slow to redeploy aircraft. They face a dilemma with the expense of recommissioning aircraft and retaining flight crew when the permanence of any travel recovery is uncertain. This bottleneck will ease if the recovery continues.

iii. NDC Resuming

- The airlines' NDC "project", whereby they offer content rich APIs directly into their own fare databases to all capable comers, gained substantial momentum in 2019 after years of gradual progress since its start in 2012. For a full description of NDC, please to Sub-Report #1.
- Spurred on by the loss of relative market power that TMCs have suffered during the downturn, airlines are once again pushing NDC. When they are back to near full strength internally and able to fund the staff and IT developments needed, 2023 will probably be the "year that NDC broke through".

iv. The Fall in Airline Commissions

- Next month, Qantas will reduce its base commissions on international airfares paid to travel agents and TMCs from 5% to 1%. Other airlines are doing similarly overseas. (Qantas tends to move early due in Australia due to its dominance.)
- And behind closed doors, the airlines are also reducing the over-rides, super-over-rides and other incentive payments to the agency groups and TMCs, who are fighting hard to retain commission revenue.
- Any significant reduction in sales commission levels ripples through the supply chain, since most systems and services are at least partly funded by commissions. Those that are highly commission funded and that are of questionable value will likely be exposed and at risk of collapse.

v. Consolidation and Reduced Competition

- TMCs have consolidated and will continue to do so. Major buyers of other TMCs are Amex GBT, TripActions and CTM. The TMC market place is a long way from having too few players to sustain competition. But with your scale, being serviced from Australia, there are only three or four capable TMCs. That could easily reduce to two or three over the next year, reducing an already too limited range of options.
- Among the large global TMCs, CWT was considered the most likely candidate for purchase. But late last year they “...entered into a restructuring agreement with creditors and shareholders for a transaction that will eliminate nearly \$900m of its \$1.5bn debt and leave debtholders owning more than 90% of the company. The deal also features \$350m of new equity funding to be provided by participating creditors. CWT’s largest noteholders - Barings, MacKay Shields, SVPGlobal, and Attestor Capital – are backing the transaction.” (Fitch) This does not ensure that they will not be a target however since the refinancing makes them a more attractive proposition at a higher acquisition price, one that several larger players could afford.
- CTM’s capacity to buy its competitors seems to be constrained only by its access to funding. It has avoided debt historically, which put it in a superior position over the downturn. Cash reserves enabled funding that enabled CTM to purchase others, in particular Travel and Transport in the US, and Helloworld Corporate and Tramada in Australia. It would make strategic sense now for it to make more use of debt to leverage its strong financial position before the period of post-Covid opportunity passes.
- With airlines, every route is its own separate market place. Competition depends on the number of airlines providing flights at business usable times with adequate frequency. Rex and the new lower-cost, leisure oriented Virgin have not filled much of the gap caused by the collapse of the earlier Virgin. We don’t think Bonza will have much impact. Once the “honeymoon” of discounts designed to reignite domestic travel subsides, we believe that fares on many routes will be pushed higher by Qantas.
- The supply of hotel room was of course damaged. But the sector has been surprisingly resilient. The main problem is with staffing. Like airline routes, each location is its own accommodation market place. Competition will remain healthy in cities and larger towns where the base number of properties was high enough to sustain multiple properties after reductions by the pandemic. But in small and remote places, this is not the case. Of course, it is not just a matter of property numbers, but the number of rooms offered by the properties. Fewer room nights per property is a short-term phenomenon. Permanent closures in remote regional locations are the problem.
- Air Charter Brokers have not suffered much due to the mostly steady demand for their services over the pandemic. Competition has not diminished in Australia that we know of.

- Similarly, risk managers have stayed buoyant globally. (International SOS is rated as “stable” by Moodys. It has three areas of business; Travel Care, Mobility and Medical Care and so is very affected by travel volume in 1920/1921. However, it lost only half of its revenue, and has moved back towards profitability.)

vi. Higher Fares and Rates

- We do not see how airfares, accommodation rates and car hire rates can avoid substantial increases, in real terms.
- The “great rehiring” effort we are seeing is already relying upon offered salary increases of up to 50% to lure people back. This will spread over existing employees. Airlines are facing considerable added costs when restoring aircraft, equipment and crews. And many businesses will be suffering from diseconomies of scale, with fixed cost bases sitting under lower business volumes.

vii. More Failures to Come?

- There are probably many “zombie companies” in the travel industry, especially among smaller TMCs, small IT and other service providers to TMC, and mid to small sized accommodation. They continue to exist as a brand and as an entity, but they may never trade again.
- It is hard to estimate the extent of this, since most of the businesses are private.

viii. Sustainability Services

- “Everybody offers you a travel sustainability service these days” said global corporate travel manager recently.
- This is a fast developing area still in formation, with a range of services and variable quality.
- Larger TMCs are building services that offer carbon data, offset solutions, demand management, carbon budgeting and consulting, some of it insourced and some of it in-house. Independent specialist suppliers are both competing with TMCs and supplying to TMCs. Major TMCs and OBTS will probably absorb the successful start-ups.

ix. The Safety Tilt and New Policy Focus

- Covid obviously put a spotlight on traveller safety, and has pushed traveller welfare higher as a travel management priority, probably with permanent effect.
- For decades, private and public sector travel policy worldwide has put the organisation’s concerns first. Many do contain terms that protect the traveller’s comfort and safety. But most items in most policies have been about cost, compliance and efficiency for the organisation’s benefit. This is now changing.
- Duty-of-care has come to the fore. Workers now have more flexibility, autonomy and bargaining power generally. The connection between travel and HR is stronger. The need for companies to offer worker friendly travel policies to attract and retain staff is growing.
- If you are updating your 2013 policy, it might be useful to take a near-term and a longer term developmental approach. Immediate duty-of-care oriented updates could be made to address the changes to the travelling environment. Beyond this, your travel policy might adapt to changes in work culture and behaviours as they become apparent. We think it is too early to declare a substantial and permanent shift to working from home, or a structural scarcity of labour. 2023 should provide the evidence. One thing that we do think is likely is the value of having varied and

flexible travel policies across an organisation instead of the historic one-policy-fits-all approach. Worker types, demands and expectations will probably become more varied.

2. Mid to Long Term Developments

- The dates are our best estimates as to when each change will have a substantial effect.

i. New Settlement Network 2025/6

- Airline transactions are settled in the world's two great settlement houses, ARC for North American travel, and IATA's BSP located in Geneva for everywhere else. Whenever you buy an airline ticket through an intermediary, the intermediary charges you, and pays the airline's through a settlement house. If, for example, your flight to Jyvaskyla involves Singapore Airlines, Etihad and Finnair, who gets what is worked out and settled through BSP.
- IATA is developing an alternative process that does not involve PNRs and e-tickets called One Order. It is already in use with freight. The technology integrates data from multiple airlines into one record securely accessed by all, and thereby simplifies the process. Like IATA's other big initiative, it is a set of standards and specifications that partly requires others need to develop.
- Depending on whether and how One Record develops for passenger travel, it could lead to better transparency of agent/TMC to airline payments and therefore make marking-up more easily detectable.

ii. AI (Artificial Intelligence) 2025

- AI has featured a lot in TMC and OBT marketing in recent years as an exaggeration of improvement in, mostly, online booking processes. A slight exception might be talking chatboxes, which are marginal value.
- The areas where suppliers say that AI will soon make a difference is in predictive and "intelligent" itinerary construction of offers. The algorithm will know your behaviours, preferences and so forth and present an itinerary and quote based on this superior information. There are two issues.
 - This is more of a leisure proposition where individual choices are at play.
 - Any configuring or structuring of itineraries and fare & rate presentation that interferes with putting preferred, compliant and cheapest choices first is a vehicle for upselling and over-charging.
- We are watching the "AI-based Itinerary" space carefully.

iii. The OBT Split 2025

- Already, there is a split among major TMCs between those building their own OBTs internally and those insourcing OBTs from independent OBT firms, like Serko. Leading the in-house strategy globally are Amex GBT and CTM. Remaining with the insource model are FCM, CWT and BCD.
- If the insourcing TMC heavily favour a single preferred OBT, as is usual, then they aren't much different in-housing TMCs. The OBTs are just different. But presumably, the TMCs with self-built OBTs will be less likely to accept a different OBT.

One likely point of difference concerns travel buyers with global booking locations. The TMC-owned OBTs are less likely to be as good in various countries because the TMCs push their single OBT into all countries possible. OBTs need considerable customisation per country. Independent

OBTs can be chosen per country, and are more likely to be country-adapted. Necessary country level customizations include:

- Content of local suppliers, E.g. low cost carriers, or rail (in Europe)
- Integration with local payment reimbursement systems
- Language capability
- Currency capability

iv. TMC – OBT Convergence 2027

- TMCs started incorporating OBTs into their service packages twenty years ago. Some are now building or buying their own OBTs. As online bookings have become more and more common, OBTs have occupied a larger and larger place in the TMC business model and client offering. You could say that TMCs are now sixty percent OBTs.
- More recently, in the past two years, some large independent OBTs have begun to wonder whether they could replace the TMCs, their masters, entirely. At play is the sales commission revenue that TMCs live off (which we expect to reduce). OBTs have to be deft and proceed cautiously. If they openly compete they risk the defection of major TMC customers. When they add TMC “human” and other services they will have declared their hand. But such are the market and technology pressures pushing TMCs down and OBTs up, that we expect some independent OBTs to change strategy.

v. General Disintermediation 2024

- The travel supply chain came to be dominated by travel agents selling customer preference for sales commissions due to the heavy regulation of the global aviation market when blueprints were made after World War II. Unable to compete with pricing, airlines grew businesses through the agents. In the 1980's, TMC developed from retail travel agents, keeping the commission based business model. Agents and TMCs sensibly consolidated into large global and regional buying groups, and built positions that withstood all pressures, including direct distribution via the Internet.
- Nevertheless, the intermediaries have been always been under pressure from both sides. But buyers are too atomistic to seriously challenge, hotels are also, and even airlines were not able to substantially change the commission model.
- This is the historic context behind our expectation that TMCs will reduce in power and influence.

vi. General The Loss of LCCs (Low Cost Carriers)

- LCCs depend on low and very low input costs. They cannot lower fuel costs and so look for savings in every other place. They of course provide less service and pay-for options, use secondary airports, have less trained staff, and so on.
- We think that the LCC business model will be put under increasing pressure. Higher inflation looks likely in most developed countries, at least into 2023. World events would need to calm considerably to avoid higher fuel costs. And airline input costs will likely rise and stay higher due to the excess demand a recovery causes in the travel industry. Also, LCCs are more volume dependent than full service airlines.

vii. Blockchain 2028/9

- This is discussed in Sub-Report #1. We don't think Blockchain will have an impact for several years.

viii. The One Hundred Percent OBT 2028/7

- Opportunities for OBTs to expand would take off if one hundred percent of business travel bookings could be handled well by a fully online human-free process, including all international and complex bookings.
- OBTs have long handled simpler domestic bookings well, and most now have a very long list of functions and features available to manage these better and better. But complexity increases quickly when you add multiple destinations and fly internationally. At the most basic level, with a few international sectors, the number of routing and flight options multiply with each other. The algorithm and software requirement to handle complex bookings is several times greater. International and complex booking capability is a major global software project. When it breaks through, OBTs will be in an even stronger position. TMCs know this, and it is probably why the global TMCs with the best finances are both building global OBTs.

ix. The “Holy Grail” Booking Platform 2025

- Imagine that you are a Queensland Government business travel a few years from now. Imagine if you book a flight and a hotel on any booking site that you like. It could be the airline, the hotel, a TMC, any one of hundreds of online travel agencies, even via a meta-searching site. Even airline NDC sites. Whatever you book and however you book it, everything that should happen does happen ...
- The entire market is rigorously searched automatically to ensure you have lowest pricing. Suitable alternative flights and properties are presented, especially if cheaper. The travel policy is applied. A carbon budget is applied. Duty-of-care checking is applied. When you book, the data is sent to HR, your expense system, ISOS and a consolidated travel database.
- These things happen because the platform applies them. Bookings pass through a “systems gate”. The softwares that provide these travel management results sit on the platform. If the platform is truly “agnostic” and allows you to choose the software, assuming it is built with open architecture and is API friendly, then you have a “holy grail” arrangement. You choose whatever systems you want and simply have it plugged in. The technical job of the platform provider is to integrate and present all the selected systems to you in a simple booking interface. However, the “holy grail” becomes tainted if you are not free to choose the systems, either because they are chosen by the platform and embedded in it, or just chosen as the preferred plug-ins. Either way, you lose the right to choose and probably transparency. The existing TMC “technology stacks” are essentially highly tainted types of closed platform.
- This vision needs a sophisticated “platform”. The term has been over-used recently and applied to many lesser things. The problem with platform development is that most existing players don’t want to see it happen since it creates per booking competition and threatens existing business. It might take a well-funded outsider to build the solution, which brings us to “Big Silicon”

x. “Big Silicon” Wades In 2028

- It is often asked why the big technology and social media companies do not play seriously in the travel industry. Travel booking seems perfect for them. It is electronic information. And the major players have vast selling networks ready and waiting. Google’s foray with “GoogleFlights” ended in 2016.
- We think that there are two possibilities. The players have limited interest because of the need to effectively become a travel agency, which carries unwanted tasks and requirements. It is interesting that Google’s current position is to offer a search site which directs to suppliers and

online travel agents to make the booking. However, big silicon likes data nearly as much as it likes revenue, and travel bookings are data rich.

- If and when they do leverage their sales network for travel, it will probably be to purchase a very well established player that they can plug in. If that was looking more likely in 2019, it may now take a few years until the industry restabalises with the winners evident.
- We think that most of the major changes will really take effect later in the decade. This is a “pressures building → dam bursts” scenario, with the pressures being the revenue squeeze on intermediaries and the replacement impacts of technology. If we are correct, this gives travel buyers the chance to prepare and get ahead of the game. We think there is little downside in building these scenarios into a travel management plan.
- At the moment, and for the next few years, “the action” seems to be in growing mega-businesses with the existing closed platform model. The moves of private equity firms are as good a forward indicator as any we believe, because they are basically the smartest, most strategic, most profit driven, and freest to move agents in the financial markets. Also, because they act upon particular companies and industries, their strategies are discernable. Those of institutional investors are less so. Private equity doesn’t appear to be expecting any near term challenges to the closed travel platform.

3. New Systems and Services in 2024

i. The “New TMC”

- We are skeptical of new TMC like suppliers calling saying that they are fundamentally different and better for the client. There have been numerous “new TMCs” over recent years, and they have all been largely good marketing. A frequent pitch is to say that they will avoid and solve all the things that TMCs currently do wrong, and will be totally client-aligned. However their businesses are still dependent upon sales commissions. And prioritising technology and online bookings is hardly a differentiator. They normally start, and usually finish, with the SME market where buyers are less discerning and informed.
- However, this does not mean that each new player should not be fully assessed and given full opportunity. They may well have better systems and services, and be less conflicted.
- In fact, as commissions fall in coming years, TMCs will become less reliant upon commissions by necessity. A business that truly does rely solely upon client fees could attract a lot of business and be an attractive business venture. “New TMCs” may be coming.

ii. Good Approval Tools, Finally

- Here we are talking about automated online systems that enable you to apply an approval process before the start of booking process. Pre-booking approval takes place before any contact is made with the TMC or OBT. It is pre-quote. A good system then sends the appropriate travel information gathered in the approval process on to the TMC or OBT to obviate the need to obtain the information again, and the ensure that only the approved parameters are received.
- Requests for travel can be assessed and approved or rejected based on general and personal risk, reason for travel, carbon cost, money cost, and compliance with any set rules. The process then feeds into the booking process. There are features such as automated back-ups, time settings, alarms and so on. This is not the same as an in-booking approval process. TMCs sometimes say they have a complete approval process when what they really have is just the automated policy

C: CHECKLIST of IDEAS

Substantial detail is provided in the “Lessons Learnt Sub-Report #3”.

1. Things to Avoid

i. Double Fee Dipping

- There are two common examples.
- The TMC standard transaction fee is charged for a booking that contains an air ticket, and anything or nothing else, including car and accommodation, unless it is an accommodation only booking. When you use a hotel aggregator to book accommodation, you are also paying them a booking fee. Therefore, you are effectively paying two accommodation booking fees.
- When you obtain duty-of-care software from your risk manager (Travel map/tracking), ISOS, you are buying a system that the TMC provides at no extra cost in its standard package. ISOS’ product might be superior. But the TMC versions are quite developed. With your buying power, you might be able to convince a TMC to also offer you a lower regimen of fees based on the D-o-C system removed.

ii. Mark-Ups

- TMCs are known to apply hidden arbitrary mark-ups to airfares and hotel rates in the quote creation process using the mid-office system. As well as contractual prohibition, for airfares, we suggest doing audits using the IATA “HOT” data that shows the amounts that the TMC paid to the airline.

iii. Commission Chasing

- Wherever you have a negotiated airfare or hotel or car rate that is “net” (ie. it carries no commission), the TMC or hotel aggregator has a commercial incentive to make that fare or rate unavailable so that it can book you on a standard fare or rate that earns it a commission

iv. Commission Reliance

- Sales commissions can cause bias and poor behaviour within the TMC. But sales commissions cannot be switched off. And so the solution for many larger travel buyers over the years has been to strike a financial deal with the TMC whereby the TMC discloses and passes on some or all of its commission income from the client’s bookings, and presumably charges higher fees accordingly. This approach never worked well because it was almost impossible to force the necessary level of disclosure and payment. And TMCs and airlines shifted over-ride commissions into less attributable and more confidential incentive payments.
- So it was never a clean and successful alternative. But the probability of significant falls in commission levels paid to TMCs in coming years make this arrangement even less attractive.

v. Over-Reliance on Supplier Individuals

- Having good account managers at the TMC, hotel aggregator, airline, hotel chain, air charter broker and OBT is a boon to your travel management. However, they tend to move between accounts and between suppliers. There are many things that you can and should get them to do. But too often we have seen serious problems arise when an account manager moves on.

vi. Spending to Build Bespoke QTravel Arrangements.

- Practically everything a travel buyer needs is already available in the market. Apart from standard processes like configuring the setting in booking tools and some other systems, even most large and complex travel programs don't need to build their own enhancements or new IT. And to the extent that you do, there are inevitable tie in with the TMC and/or the OB, and you are not free to reassess and change suppliers if needed.
- Our recommendations are based on not needing to build bespoke processes and systems.

vii. Accepting the "Simplicity Mantra"

- There are suggestions that travel buyers should simplify their whole approach, from the selection and engagement of suppliers to the way in which they then manage their travel. This is appealing but we think you should be cautious. This message often comes from "new-TMCs" and established TMCs rebuilding their brand post-Covid. What it basically means is replacing careful tendering with the sales process, and then handing all the reins to the suppliers. Simpler is always better. But over-simplification is costly in a complicated and conflicted supply chain like travel.

2. Innovation and Inspiration from Europe and America

- These are suggestions from our global team members regarding best-practice program enhancements available in their markets. These could be considered for the next tender. However, in some cases it would be necessary to make direct contact with suppliers overseas.

i. Automated Re-Shopping

- The system automatically and repeatedly checks the market place for a cheaper suitable fare after the booking up until ticketing. The system can be configured to automatically rebook according to set rules based on net savings.
- Good re-shopping systems apply configurable rules, margins, credits, supplier and TMC/OB costs of change. Examples are Fairfly, Tripbam and Yapta (Yapta was bought by Coupa Software and is under renovation.) The re-shopper then updates the booking automatically or via the TMC/OB.
- Re-shopping only works if bookings are made sufficiently in advance. But it is with international bookings that re-shopping has the most potential, and international travel is typically booked earlier than domestic.

ii. Gamification

- An automated internal system is used that motivates travellers towards desired behaviour using game like experiences and rewards.

iii. Big Data Benchmarking

- TMCs have never done a good job with benchmarking. Independent benchmarkers using combinations of large-account data provide deeper and broader comparisons tailored to needs.

iv. Live Fare Benchmarking

- Live fare auditors compare fares offered by TMCs and OBTs to the fares available live in the market at that moment, to test how diligent the best-fare search process is.
- v. Hotel Rate Availability Auditing
- This service loads your contracted hotel rates, connects with your booking process and tracks how often you are offered your discounted rates live.

D: THE GUARDRAILS

1. 15 Guiding Objectives and Principles

i. Transparency

- The business travel supply chain and distribution system are opaque. You can't see most of the money flows, deals and obligations between suppliers. A new model would only accept claims of full transparency if proven.

ii. Reportability

- All key suppliers need to provide raw data direct from source and not just self-designed and built reporting. By "source" we mean the entity and system where the data was created. This is especially important if the data is the record of a transaction. Data that is built by an intermediary using source data that is not disclosed is prone to inaccuracy, especially if summarised, analysed or re-formatted. We know from our experience with auditing that differences are not uncommon. Examples of source data are the IATA HOT data, card data and data directly from airlines and hotels. The first two should be received as a matter of course. Supplier data is atomistic and so typically would be called upon only for a particular ad hoc purpose, such as a spot check of some performance parameter. Also, suppliers can be averse to providing their source transactional data in case it upsets the TMC.

iii. Sustainability

- All travel must be convertible into carbon. There must be processes in place, or available, to limit and direct travel according to sustainability policy.

iv. Safety

- The health and safety of travellers is paramount. From the time of the travel request to the arrival back home, best feasible processes and systems should be applied to protect the traveller without unreasonable intrusion on privacy.

v. Efficiency and Automation

- Travel suppliers must reasonably provide best available processes and systems that result in efficiencies across the travel related process map.

vi. Managed Costs

- Queensland Government must at all time see or easily be able to see the true unit costs of all travel products and services, and all related systems and services, with visibility of base amounts, taxes, third party charges, merchant fees, commissions and other supplier payments. All suppliers must commit to minimizing unit costs consistent with the requirements of best fare and rate of the day.

vii. Critical Service

- Critical service requirements should be clearly specified, with suppliers required to provide additional and higher level services, through specialist staff where appropriate.

viii. Adaptive Flexibility

- The contracts and arrangements with suppliers should be able to accommodate major changes in the operating environment that impact on suppliers' viability without giving suppliers freedom to change terms as they wish or without proven need.

ix. Transferability

- Supplier "lock-ins" in the model should be avoided, so that Queensland Government's ability to change individual suppliers and components in the model is not prevented or made onerous or costly by the nature of a supplier's arrangement, system and services.

x. Data Security

- Most travel generated data is insecure by virtue of places it is stored and channels through which it passes. The travel model should recognise this and promote and enable all reasonable means to improve security.

xi. Privacy

- All processes, systems and services should minimise any loss or potential for loss of privacy consistent with Government policy.

xii. Government Policy

- All travel management solutions should be consistent with Queensland Government policy.

xiii. Aligned Interests

- Conflicts of interest with all suppliers should be eliminated or at least minimised by terms and arrangements that attend to the commercial drivers of misalignment.

xiv. Market Health

- Wherever possible, travel and travel services purchased should not cause a significant reduction in competition within any market, and should not cause any supplier business to fail.

xv. Local Support

- Wherever possible, travel and travel services purchased should benefit local businesses consistent with Queensland Government policy.

2. The Essentials

- Four questions to apply to every facet of a new program, large and small.

i. Does it minimise risks to Queensland Government stakeholders?

- Please see details regarding risks in the Sub-Report # 4, and in the Excel-based Change Management model.

- We think, as a goal, and since we are pursuing the ideal case, it is appropriate to broaden the commitment to anyone impacted by the travel program such as members of the public.

ii. Does it deliver good service and travel outcomes?

- This includes the reasonable satisfaction of all Queensland Government stakeholders with all travel related processes, and within the limits of policy and availability, satisfaction with the travel products delivered.

iii. Does it minimise costs?

- Too many programs only look at superficial highly visible costs such as fees. Much more impactful on costs are the many things that determine the fares and rates booked. The practices and behaviours in the supply chain that cause higher travel costs are known and well discussed in this series of reports. The model must factor these in. They include:
 - Advance booking times
 - Policy compliance
 - Fare selection
 - Availability of discounted fares and rates from suppliers, the TMC, aggregator and the OBT
 - Hidden mark-ups
 - The diligence and skill of the booking consultants
 - The diligence and outcomes of supplier negotiations, especially across the large accommodation program
 - The functions of the OBT, especially regarding access to discounted fares and rates
 - The buying power of the TMC and aggregator, and whether they provide a large inventory above the GDS, such as via major online travel agencies

iv. Does it enable the proactive pursuit of sustainability?

- The model should enable best supply from the right suppliers

3. The Risks

i. Inter-Tripartite Antipathy

- TMCs, OBTs and hotel aggregators are not necessarily collegial. They can operate well enough alongside each other and integrate as required by a client, but care needs to be taken when combining them. TMCs and aggregators compete with each other and are the most problematic combination. One aggregator in this market is now owned by a TMC, and another aggregator has taken a very negative position with this TMC, which is understandable.
- The risks are that they might fail to cooperate when some significant joint task is undertaken, such as an OBT or other system upgrade, a change in Machinery of Government, the introduction of a new supplier, or a broad change in QTravel policies, processes or requirements.

ii. Supplier Collapse

- Any procurement exercise obviously tries to limit this risk, within what is foreseeable. But in this category at this time, the risks are clearly significant. Individual suppliers could fail, and sections of the industry could fall backwards, such as the GDSs. Reliance on particular suppliers and supplier types should be known, and risks estimated. Note that there is a difficulty in assessing the financial health of many travel suppliers because many of them, including large TMCs, are private

and do not disclose their accounts. However, most will cooperate with due diligence within a large tender. We are also wary of ownership by private equity (PE) firms, which have a track record of flipping companies for a short term windfall, breaking them apart, or using them as a cash source. PE firms do quite often greatly improve the companies they buy and remain as steady shareholders. We hope this is the case.

iii. Staff Shortages

- This is a problem now. But it will probably continue into 2023 and maybe beyond as the industry adjusts to a smaller workforce. By 2024, there will be the required number of people of your service teams, but they are unlikely to be as experienced and skilled as their counterparts in 2019.
- The model should reduce this quality of service risk by minimizing the use of human based serviced. Most obviously, bookings through the OBT should be maximised. Care should be taken though to quarantine special service areas from over-automation. This includes:
 - Bookings that involve remote, non-standard accommodation such as hostels, camps, caravan parks and B and Bs, which are not in the standard central booking systems
 - Bookings that contain special service requests, such as a non-standard on-site services or a specific room request
 - Bookings that are part of a VIP booking that involve higher standards and extra care and attention from the booking consultant
 - Bookings that are for non-standard times, such as intra-day or long-stay

iv. Becoming an NDC Laggard

- NDC will spread through the distribution system in different ways at different rates in different countries. That is because it is driven by the airlines, each having its own NDC development plan. Equally, it is determined by the way TMCs, OBTs, GDSs, other platforms and travel buyers respond. So it is very difficult to predict how it will play out. In Australia, things started quite early and moved quite quickly because of the dominance of Qantas. The NDC-based commercial terms were imposed early, whereby agents and TMCs (and therefore clients) have to pay more for non-NDC fares. The promised fare menu enhancements are yet to materialize.
- In terms of risk, a set inflexible model runs the risk of not meshing with the best NDC-based channels that develop, which could be via a TMV, via an OBT, direct to a GDS, via some new fare consolidation platform, or direct with the airline itself for larger accounts. The model should be NDC-flexible so that you can take best advantage with choice of the future channel options.

v. Best Practice Over Ambition

- With any travel management model that embraces innovation, there is the risk that solutions don't perform as they should. This is a material risk in *this* supply chain because of the tendency for suppliers, particularly TMCs, to over commit and under deliver. Timelines for the releases of new technology and enhancements are quite often ambitious. But, this should not constrain our forward thinking and ambition.



4. The Safe Harbour Hypothesis

- This is the argument that because of the probability of historic change and uncertainty in the travel industry, added to the conflicts of interest that already exist, travel buyers should look to maximise the tasks that they undertake internally and minimise dependence on suppliers.
- We understand that you are perhaps averse to increasing your internal travel management resources and costs. But we think that in this report, we should present the argument for travel management in-sourcing. The proposed changes would not amount to a large increase in costs in the context of Queensland Government.
- The proposition can be considered in two halves, historic and upcoming, A and B.

A: There had always been a case for it. In our opinion, travel buyers globally under-recognise the extent of the inherent conflicts of interest and imperfections in the business travel supply chain. Most of these are caused by the sales commission system that saturates the industry. TMCs in particular, deriving over 60% of their income from commissions globally (and over 70% in Australia) are not aligned with clients' interests. And travel suppliers are suppliers anyway, naturally looking to maximise profits. Their basic business interest is often not to minimise your travel costs or to increase and enhance services. Also, travel management supply is increasingly about technology. The TMC is effectively a barrier that keeps you once removed. You have done more than most to avoid this with your Serko contract. But direct access to all systems options, configuring and opportunities is the ideal.

- Therefore certain activities are better done internally.
- The “low hanging fruit” are those that have a big impact, cause modest added internal cost, and run hard into supplier conflicts. Examples would be (including things you may already do internally):
 - Airline, air charter broker, risk manager, EMS, TMC and hotel aggregator tenders and negotiations
 - All strategic work

- Stakeholder surveying and feedback
 - Direct relationships if not contracts with an expanded list of travel IT providers, especially around NDC, including new technology entrants and offshore
 - Direct market interaction with agnostic booking platform developers
 - Requiring more resources: Building the accommodation inventories
 - Requiring more resources: Managing the accommodation properties
 - Requiring more resources: Data consolidation, benchmarking and audit
 - Requiring more resources: Data storage and protection
 - Requiring more resources: Traveller profile database
- We are not including booking functions in this list. If you were to insource this function, then you would need to build your own in-house TMC. This is sometimes done by large travel buyers overseas, especially in the US, although the practice goes in and out of favour. It is called a CTD (Corporate Travel Department) and is discussed in the last section of this report. The main reason for CTDs has been to solve the problem caused by commissions, and take all conflict out of the booking process and other TMC services. It is a high cost alternative which we don't think you need to consider.
- B:** There is a strong chance that, after decades of little structural change despite the Internet and the march of technology, the travel industry and supply chain will enter a period of instability, uncertainty and tectonic change in the years ahead. Of course, we have already seen the effects of the Covid downturn in terms of business closures, reductions and some consolidation. But we think that this is just the precursor to actual shifts in industry structure. We present our best thinking in this report as to what those changes will be. But we cannot be certain. Situations that we foresee that may pose a threat to your costs, safety, travel supply and user experiences include:
- OBTs replacing TMCs as the commission receivers. That is, instead of the decline in TMCs' sales commission model reducing the commission problem, OBTs just take their place.
 - Fragmentation of booking channels causes TMCs and OBTs to have incomplete airline inventories as they build and patch their way towards restoring the former GDS-based access to all fares. It will up to the buyer to put best channel solutions in place.
 - The rise of OBTs and/or their convergence with TMCs will over-automate services as they push AI and the like, leaving permanent service gaps.
 - TMCs and OBTs will unbundle and charge for many services, bringing their value into focus
 - Due to the increase in the practice by TMCs in the post-pandemic period to restore revenue, fare and rate mark-ups change in nature from being low-integrity hidden activities to admitted and accepted part of TMC and OBT practice, leaving buyers with little control over airfares and hotel and car rates.
- Therefore, to reduce the risks arising from supplier dependence in these circumstances, we think it is worth considering internal management for some activities.
 - Activities better managed internally at any time:
 - Accommodation inventory building: TMCs and aggregators do not necessarily conduct full and thorough procurement exercises when assembling a bespoke hotel program for a

client. How far down the “size list” do they conduct competitive negotiations? How are these negotiations done? How are rates for the bulk of the smaller-stay properties achieved? How much of the activity is automated rate gathering? What third parties and rate sources are used in the exercise to minimize the size of the task?

- Accommodation Property Management: TMCs and aggregators do not necessarily apply the resources necessary to ensure that all properties provide adequate availability of negotiated rates and terms, and good service levels.
- Fare and Rate Loading; GBTA surveys have shown that over ten percent of large buyers’ negotiated fares and rates are not loaded or updated in the GDS. This is the TMC’s or aggregator’s responsibility. They are commercially motivated to not be diligent because most negotiated fares and rates are net and deprive them of commission. Internal overview is needed.
- Traveller Profiles Database: This makes you “sticky” to the TMC, CBT or aggregator that houses the profiles because you need to recreate it if you change suppliers. It is better that you manage the data base and preferably hold it internally.
- Activities better managed internally to protect against future industry changes
 - It is an uncommon approach. But we think that having greater involvement and control over your booking consultants would be valuable over the next few years until the industry re-employs and retrains in sufficient numbers. Any well performing consultant servicing you now is an asset much in demand by other travel buyers. TMCs nearly always promise quick recruitment of new consultants in order to win large tenders, understandably. If they win from an incumbent, they typically rearrange existing service teams to spread the talent, depleting existing good service teams. Some form of greater collaboration and involvement in the recruitment and terms of service of booking consultants, and the account manager, would be useful.
 - Airlines make deals with TMCs that include access to inventory. With NDC’s growth, this will vary more per TMC, and will probably include more pricing and service parameters. Airlines will be in a position to determine what the TMC gets for distribution to its clients. There will be an increased need for large buyers to be included. As a large Qantas buyer, dedicated terms might be possible.

We expect that a substantial travel-related internal team will be necessary before the 2032 Brisbane Olympics. Some degree of internalization well before hand would provide a pre-existing base for the 2032 operation.

E: THE RECOMMENDATIONS

1. The Main Options

i. Do We Need a Hotel Aggregator?

- FOR INVENTORY BUILD: Both a TMC and a hotel aggregator can do this well or badly, depending upon staff, effort and money. But the fact that your aggregator currently has a large tailored accommodation program is a factor, since this would take time and money to rebuild. To the extent that they are doing a good job and the property coverage and terms are good, there would be a substantial cost of change, and a risk of allotment and availability losses in a changeover. However, because aggregators (and TMCs) can take short cuts when putting rate programs together and updating them, it would be good to put this service to market. If the cost and risk of change is too great compared to any likely improvements, you will have refreshed and applied rigorous new terms to the incumbent in any case.
- Online travel agencies (OTAs) are retail and leisure oriented systems. The sector is dominated by large OTAs such as Expedia, Bookings.com and their various brands. Their role in business travel is to provide an additional wide retail inventory channel. The retail inventory will be much overlapped with the GDS inventory used by the TMC. But OTAs will sometimes provide additional cheap fares and rates, and sometimes pockets of availability of other fares and rates that TMC otherwise would not see. This should not happen often, but there is minor upside if your TMC has an OTA channel plugged in. The existence of an OTA should mean that it is nearly impossible for anyone to ever beat the TMCs fare and rate offers. In fact, this is a reason why TMCs have OTA plug-ins, to quell claims by clients that they could do better themselves online. The other reason that they have OTA, and probably the main ones, are that they can receive higher commissions via OTAs, can detour net fares and rates with OTAs, and can more easily obscure mark-ups by invoicing with the OTA.
- Our recommendation here is that you decide based on the assessment of offers in a flexible tender. By that we mean a tender that enables suppliers to bid for whichever of the service areas they wish to. Who can bid for what is not pre-determined and set as a specification in the RFT. Obviously the TMC and OBT will bid for the general travel management service. The TMC would probably bid for all four of the accommodation management services. The aggregator would also. You can then assess each candidate in each service area, and evaluate the compatibilities and best combinations as a part of the assessment process. Where there is service overlap, it makes sense to decide who does what on the basis of the detailed information and diligence of a tender.
- Hotel programs are built by TMCs, hotel aggregators or by the travel buyers themselves. Independent consultants can also manage the process for you. Most private sector buyers run their own accommodation tenders for the individual properties. Whoever conducts the process, with larger scale programs an automated web-based hotel tendering system is normally used. These are inexpensive and efficient.
- FOR BOOKINGS: Only the TMC/OBT combination can manage your air and car bookings. But both the TMC and hotel aggregator can handle manual and online accommodation bookings. Our position is that in this area, TMCs are better resourced and are likely to do a better job.
- FOR PROPERTY MANAGEMENT: This is the task of making the best deals with each property, monitoring their performance and maintaining relationships. Of course, with such a large program, this is unlikely to be done with every property. A substantial amount of the hotels rates and terms will be formulaic, and close relationships can't be formed with so many hotels and

lodgings. But both the TMC, an aggregator, and QTravel can handle this area of work. It is a matter of having the resources. We understand that you are unlikely to want to bring it in-house. A good middle-road is to audit the quality of the service provided by the TMC and/or aggregator, with spot checks perhaps annually.

- FOR MANAGEMENT OF THE ACCOMMODATION PROGRAM: As we have said elsewhere, this is a function that we think should be managed internally. This is the overarching strategic management activity that requires relatively little time but has a high return. Naturally, it involves monitoring the performances of the TMC and aggregator against their contracts. It also involves room night allocation management and
 - It is not necessary to use a hotel aggregator or a TMC for *the strategic program* management. It could be withheld from the RFT. However, as with other service areas, it might as well be included and the decision made based on the offers, especially since you are wanting to limit internal travel management resources and costs.
 - Do We Mandate Policy?
 - This of course is a highly internal area, connected with an organisation's culture and business. Rule-heavy mandating forcefully applied enables better management of risks, costs, carbon and suppliers. But it naturally reduces staff satisfaction, autonomy, motivation and empowerment.
 - In each case, it is a value judgement seeking the desired balance. Policies and mandating strength can vary for different business areas, staff levels and the like.
 - The point here is that aspects of the model can work or fail depending upon policy compliance. And so a soft and permissive approach to travel can put pressures on its good operation. We recommend that you should mandate compliance with policy unless the HR consequences are too negative. And a variable approach is better, so that a less strict application of the rule can apply per policy item.
- ii. How Do We Regard The TMC?
- As you have probably noted, we are wary of placing full trust in TMCs because of their conflicted business model. Our approach is to be less sanguine than most. But TMCs provide necessary and valuable systems and services that will remain the cornerstone of travel management for the next few years.
- iii. The right and balanced solution is to have an arrangement that minimises their commercial drivers away from your interests, and to monitor and audit to a sensible extent. ... Do We Pass The Lead Position to the OBT?
- If the OBT is owned by the TMC, this does not need to be asked. Otherwise, OBTs like Serko are not yet in a position to be the main party in control of the technology stack and the centre of integration. We note that you have the OBT in charge of the profiles database, which we discussed earlier, presumably to facilitate aggregator bookings.
 - This does not affect having a contract with OBT, as you have, which we think is an excellent idea.
- iv. How Much Do We Use Our Buying Power to Impose Change?
- With annual 2019 travel expenditure of close to \$200 million, you can have a lot of influence over many travel suppliers, notably TMCs, OBTs, hotel aggregators, air charter brokers, smaller airlines and the car firms. Government clients are highly sought after because their expenditure tends to be more resilient. So you can negotiate good terms across the many details of the various systems

and services, and across the many pricing points. But you might also be able to change suppliers' services and systems to suit your designs. With your very high value as a client, especially in the current environment, you are in a position to drive enhancements and improvements in the systems and services in the market. Our point here is that when going to market you can afford to be both quite assertive and ambitious.

- In the section below, the ambitious "2028 Model" requires new technology, which, with your influence, you might help to create, or at least bring to Australia.

2. Two New Travel Models

- Our approach here is to be both practical and ambitious. Since you are going to market soon, we provide a suggested model for a best short-term arrangement to put in place in 2023. Because an ideal, future travel management model would be impractical that soon, we also present a "2028 Travel Model" that can develop from the base of the "2023 Travel Model". This approach allows us to paint more freely on a new canvass for 2028.
- The 2028 Model also has an eye on preparation for the 2032 Olympics. And the 2028 Model has less concern for the constraints and issues present as the industry adjusts post-Covid.

3. The 2023 Model

i. The Main Changes and Continuations from the Status Quo

- As mentioned earlier, we recommend that the model is decided upon after the tenders as a result of the assessment of the offers received. The main tender for TMC/OBT/Aggregator should enable the parties to bid for any components of the model so that, for example, you can select either a TMC or aggregator to provide accommodation inventory, booking or property management services. Having said that, and not to pre-empt the outcome, this is our suggested travel management arrangement for the near term.
- This model is a product of all the information and advice contained in this report and the four sub-reports.

KEY CHANGES

- Non-specialist accommodation booking shifts to the TMC/OBT.
- The TMC and/or OBT suppliers enable a compatible and commercially aligned pairing. We include this point because it is certainly possible to appoint TMCs and OBTs that are compatible. But some are not. Your current arrangement has a TMC and OBT that have pulled back from their earlier close relationship and will cease working with each other entirely in December 2023. This is due to the TMC's strategy of pursuing an in-house fully-owned OBT and not fulfilling independent in the future.
- Similarly, there are obviously TMCs and hotel aggregators that work well together. But your current TMC and aggregator have become incompatible because the TMC has recently bought its own large aggregator that competes with your incumbent. As with the TMC, this is a situation that needs to be resolved in the new model.
- The TMC arrangement is structured so as to enable a growing role by the OBT (if not TMC in-house), especially with respect to its position as a hub for systems integration and APIs.
- Specialist services are treated separately, being serviced by a specialist bookings team.

- The Duty-of-Care system is moved to the TMC/OBT if their software is better. We refer here to a full online duty-of-care system that includes map tracking, email and SMS configurable communication, risk alerts and information feeds from a high quality source, and data and reporting. Both TMCs and risk managers provide full duty-of-care systems. You would probably want to take the entire system from one party rather than cherry picking the functions since that would cause a fragmented process. The details regarding the various functions of duty-of-care software are part of a thorough RFT.
- A TMC/OBT hosted pre-booking approval system is introduced, mainly to facilitate (1) carbon management, (2) location and medical risk management, and (2) reason for travel demand management.
- A “QTravel Supplier Panel” process is introduced, so that all key suppliers; the TMC, OB, aggregator, air charter brokers, risk manager, key airlines, car firm and perhaps major hotel chains, attend six-monthly forums to review, report and plan, with the central commitments of Cooperation, Integration and Improvement. Each supplier also has quarterly bilateral review meetings. Supplier reviews tend to mostly contain discussion about the past, and talk about innovation and improvement is often scant and general. It is good to impose a regular agenda that allocates half the time to the future and requires serious and feasible ideas for progress.
- Efficient but rigorous spot supplier auditing is introduced, using raw settlement data where available.
- QTravel takes a greater role in the resourcing and remuneration basis of the service teams, at least until the “talent crunch” subsides. This means that you work with the supplier in setting the employment terms for your account managers and booking consultants. It would be advantageous if the Queensland Government account was attractive to good candidates inside the supplier and across the industry. There will be strong competition for good staff. This might result in higher service fees. But we think this would probably be money well spent. It is unusual for a client to be involved in this way. But the times make it worth considering.
- QTravel instigates greater oversight of the deals and terms with the properties in the accommodation program. We are not suggesting that you run the tenders and negotiations for all the properties in your hotel program yourselves, as many buyers do in the private sector. Your program is very large and diverse, and outsourcing this activity makes sense. But we do not think you should take an “eyes off” approach either. Whatever supplier builds and runs your hotel program, they are commercially motivated to skimp on the procurement process, to be casual with loading the rates into the GDS, and to not drive availability of your negotiated net rates. Also, their behaviour, at least in principle, is subject to the influence of hotel commissions. We are not saying that all TMCs and aggregators act poorly. But we regard these factors as facts. And so we suggest that terms, loading and availabilities should be actively monitored.

KEY CONTINUATIONS

- You continue to have an independent contract with the OB, unless an in-house TMC OB is selected on its merits.
- The Air Charter Brokerage service model continues.
- The risk manager arrangement continues, but perhaps minus the duty-of-care software.
- You continue to have a direct relationship and contract with the OB, preferably an independent supplier. This is good in its own right for reasons discussed, but also because it is a good foundation for the 2028 model.
- The profile database remains outside the control of the TMC.

SIDE IMPROVEMENTS TO EXISTING COMPONENTS

- An Air Charter Brokerage tender, based of the four broker/aggregator services model (outlined on page 4 with regards to accommodation management), cleans up this supply area, and delivers better online booking services, more coverage, tighter fee and service specifications, and more competition.
- We suggest that the four-services model as suggested for accommodation management applies equally well here. The candidates would be asked to bid for each area, with sufficiently detailed questions and pricing format in the RFT. They are:
 - The inventory building, which in this case is the network of air charter operators and equipment on their books
 - The inventory management, meaning how they monitor and manage the services and pricing delivered by the operators. For example, a current issue of planes being offered for use to a third party in the middle of your forward and return flights would be attended to.
 - The booking service for manual bookings and the system for online bookings, which includes their process for ad hoc locating, pricing and securing charter services
 - The strategic management of the air charter category. This would probably be best done internally, needing minimal resources. It entails managing the overall risk, cost and service quality of the air charter services.
- The insurance provider could liaise with the risk manager, so that the risk manager takes advice from the insurer to tailor services that lower the insurer's risk, and the insurer improves the insurance terms to reflect the risk minimisation measures of the risk manager. There is a synergy.

4. The 2028 Model: The QTravel TMP

i. Based on a Travel Management Platform (TMP)

- "TMP" is not an entirely new acronym. It has been used before, but only to up-sell standard systems such as an OBT or traveller profile database. For our 2028 model, we are talking about the real thing.
- For clarity, as TMP as we define it is not an OBT. It is not a TMC mid-office platform. The difference is that any third-party system or app that capable can plug into it. Existing "platforms" have preferred systems and apps embedded in them, and most are embedded based on an advantageous commercial deal with the "platform" owner, the TMC. They are on objective merit, or due to the client's selection. (You are an exception here with your direct choice of OBT.) The OBT is not a platform. It is one of the systems in the platform. At the moment, OBTs are embedded by the TMC. In our ideal future, they are just one of several plug-ins, albeit the largest one, that you choose. In addition to plug-ins that you choose, a TMP would have many booking channels plugging in at the other "inventory" end, such as many OTAs, many NDC pipes, and many other supplier direct -channels, such as low cost carriers and hotel chains. The TMC is also just a plug-in into the TMP. The TMP does not earn a commission. Its revenue is comprised of modest click-through fees, or something of that sort.
- We understand that you do not want to make substantial investments in bespoke technology, and we agree that this is unnecessary. We are basing this recommendation on using available software, perhaps pushed forward through a relationship with the technology provider.

- The **platform** we envisage is externally supplied but internally controlled, and perhaps internally housed. Its structure would be simple, and it would give you control without high costs, and without the need for substantial internal resources.
- The platform houses key systems, API links with others, and API links to any inventory, including NDC.
- It would not be exclusive to QTravel. If it is not already an off-the-shelf system in 2028, and if QTravel plays a major part in its creation, at least in Australia, then it should be available to the market. There is no reason not to, and exclusivity comes at a high cost.

ii. Who owns, controls, maintains and manages the platform?

- You do not need to own this technology. It could be the creation of a TMC, OBT or independent supplier. Independent ownership would be much preferred since OBT and especially TMC ownership would lock in those suppliers and their preferred appendages. Flexibility of use and free connections would be key considerations in the selection and formation of the platform. The “platforms” that have been offered from time to time in the market in the past, mostly in the US, have come with restrictions from ownership.
- QTravel would manage and control the platform through one internal system expert. The platform supplier would configure and maintain the system doing all the work “under the bonnet”. As one of the key travel suppliers alongside the TMC and OBT, the platform supplier would provide appropriate account management.
- The use of a TMP does not impose any particular model structure regarding TMC, OBT and hotel aggregator. As long as they have an API, they can plug in. Manual services, such as specialist and VIP bookings, could still be provided by the TMC and/or aggregator, their mid-offices also being plugged into the platform
- The platform supplier’s support team would be important people in your travel program. Their main task would likely be to manage the various connections and integrations with your range of inventories and other suppliers’ systems.

iii. What the QTravel TMP would deliver

- Competition within each booking – a big and long desired change in business travel
- More internal control of data
- Easier data and booking flows between parties, not dependent on bilateral cooperation
- True open booking without the loss of critical controls across cost, risk, carbon and compliance.

iv. How a TMP Would Ease Your Pain Points

- The main purposes and value of a TMP are:
 - To enable actual leisure travel level competition in every booking, which is impossible with a TMC and a closed system comprised of TMC preferred suppliers and channels.
 - To give travel bookers freedom
 - To give you control over all parts of the travel management model, with the ability to choose each on its merits, without integration and compatibility issues

- To eliminate many of the preference and commercial arrangements that exist in the supply chain that obstruct your access to lowest pricing
 - The highly automated nature of a TMP means that it would not take a large internal resource to manage.
- v. Data and Reporting**
- All data would feed into and be consolidated in the database housed in the platform. Improved data security and cyber security measures could be more easily achieved with data in this one position. *. The data could then simply feed to any party you prefer to analyse and use the data for reporting. That could be any combination of the TMC, OBT, QTravel or even the platform supplier or a third specialist consultancy. An advantage of consolidated platform-housed data is that it enables analysis and monitoring of all parties. When, for example, a TMC produces the reporting, it tends not to report on quantifiable measures of its own performance.
- * Even in 2028, travel data will still go to third parties and probably offshore.
- vi. Reapplying the Things Lost**
- If you allow booking outside the orthodox channels of TMC, OBT and aggregator, you obviously lose all the compliance, risk, carbon and cost controls. These have to be brought into the platform, or replicated in the platform to maintain acceptable control.
- vii. Olympics Ready**
- The suppliers, the systems and the services that will be available to you that far ahead are difficult to predict. Frankly, it would be guesswork on our part with a bias towards the present. What we can suggest is that you are well prepared to accept best solutions, unhindered by closed IT architecture and suppliers' commercial relationships.
- viii. An Elegant NDC Solution**
- Assuming NDC fully resumes its progress, the problem it creates is fragmentation of booking channels. Previously we had one channel through the GDS, which is why GDSs were built. Then APIs presented us with numerous other pipes, some of which we needed to ensure reasonably complete inventories (E.g. low cost carriers). But NDC basically increases the number of new pipes, imposes a cost for not using them, or shuts down the alternatives, and redirects large if not whole fare inventories through them. Before, in "API Phase 1", we could manage well enough just by choosing a TMC and OBT that had adequate mainstream API connections. If NDC grows, TMCs, desperate GDS, perhaps well-funded independent OBTs, or someone will need to take API platforming to a new level. An independent Travel Management Platform would be the ideal solution since it would be aligned with the buyer.
- ix. How Does a TMP Reduce Program Leakage?**
- When staff book outside the managed travel program by booking with a travel agent or a supplier directly rather than with the appointed TMC, OBT and hotel aggregator, they usually do so because they believe that they can get cheaper fares and rates by booking retail. If comparing like for like, this should not be possible in principle. But it does occur because of the imperfections of TMCs and aggregators as discussed several times in this series of reports. The point of a TMP is that all retail content flows through, with all policies, duty-of-care and other filters applied, and without going through a TMC's or aggregator's mid-office where conflicts of interest arise. The

only reason a travel Booker could then have to go outside the TMP is to avoid travel policy and tracking.

x. Open Booking Becomes a Possibility

- The problem with travel bookers being allowed to book through unmanaged channels is that you completely lose control and data, impacting cost, compliance, carbon and safety. But if the important processes that manage these things are housed *within the platform*, and the booking site (Online retail travel agent, OBT, TMC team etc) pushes bookings through the platform in the booking process so that all the necessary filters and apps are applied. This includes policy filtering, data capture,
- These are not quick and easy things to develop. Building a platform to connect with multiple APIs is relatively simple. Enabling the mountain of travel management functions that have been built for OBTs and other apps is a higher magnitude of difficulty. Exactly how it is done is detail for a later exercise. It will probably involve routing through the existing facilities of an OBT. If the OBT is independent, and is the platform developer, that is an ideal case.

xi. Why Bother with Open Bookings

- There are two reasons.
- The post-GDS distribution system will almost certainly be quite fragmented. There will be many booking channels. Retail and leisure travel booking sites won't seem quite so alien to business travel.
- Employees maybe entering an age of greater autonomy. The shift to working from home will probably be a permanent change to some extent. Workers will expect more freedoms and more empowerment. Being told how to book their travel might be seen as intrusive. Even if the freer home-based working culture doesn't happen, younger workers are said to be this way inclined anyway. Open booking may be an attribute organisations need to attract and keep staff.

xii. Smaller Players Excluded?

- Open platforms like to say that they are "agnostic". This is another word misused by TMCs to suggest zero commercial bias. With platforms, it means that anyone can connect with an API or the like. But it is up to the supplier to build the API. There is a lot more involved than building a relatively inexpensive API. To achieve scale, the developer needs support services, a range of technical capabilities such as those delivering data and cyber security, and, to continue, funding to continuously enhance the app or system as competitors inevitably appear. Re-shopping systems are a god example of this.

xiii. Why don't open platforms exist already?

- If such a platform is so useful to the buyer, why doesn't it exist already? This is because none of the established players in the supply chain want one. From the TMC to the airline, the choice and competition that open booking for business travel enables wreck the existing structure designed to maximise suppliers' revenues. It benefits only the buyer. That is the crux of the innovation in the 2028 model. Not to use another over-used phrase, but it *is* a new paradigm.

xiv. Will a platform supplier exist and who might it be?

- TMCs' and OBTs' preparation for multiple NDC channels is basically the TMC and OBT NDC reintegration platforms have four critical differences shortcomings.

- They are limited in purpose, to API links to airline NDC pipes.
 - They are not being built to house other systems, such as profile databases, approval and duty-of-care systems, because this enables open booking.
 - They are owned and controlled by a TMC or OBТ, and so will therefore not be agnostic.
 - They will not, as a matter of basic strategy, be usable for open booking.
- Therefore, we expect that an independent player will be the developer of the true travel management platform. They will probably be overseas, probably in the US. They will quite likely first build the system for, or in partnership with a large travel buyer. A relationship with them from Queensland will probably need to be started by you.

xv. Join With Other Jurisdictions?

- This of course is a matter between governments. But if a “platform consortium” of some type was formed, the combined power would help to get the outcomes you desire, better and sooner. We have talked about off-the-shelf platform technology about. But very possibly, if you are pioneering a new approach, your travel technology partner will be building and developing on your behalf to some extent. Larger travel volume would help to persuade them. If development costs need to be shared, a government “platform consortium” could better afford them.

xvi. An Entrepreneurial Alternative

- We imagine that Queensland Government would prefer not to go this far, with the HRG arrangement still in the rear view mirror. But a true platform such as this would have market wide appeal, globally. If you were to take some measure of ownership, it could change your internal travel management unit from a cost into a revenue centre.

5. Going to Market for the 2023 Model

i. Let the Products of the Tenders Inform the Model

- In this report we are presenting a recommended travel management structure and model. But we think that the tendering should be such as to invite many types of services, systems and combinations, so that the decisions, even at the top strategic level, are made based on what comes in from the market. This might sound obvious. But this is prevented from happening if the model and everything determined by it is fully set in place before tendering, and detailed specifications and requirements are given to the candidates that close off other possibilities.
- For example: Should you continue to use a hotel aggregator, and if so for which of the four services? TMCs say they are unnecessary. We would invite both TMCs and aggregators to bid for each service. Similarly, who should store the profile database? Who should consolidate the bookings data? The TMC or the OBТ (if not the same)? Who should provide you with the best duty-of-care tracking, communication and risk information system? The TMC or the risk manager? We would build the RFTs and structure the tendering process to maximise the opportunities for all parties to bid for the systems and services they are capable of delivering at your scale.
- This involves some planning about the timing and the components of the various tenders. Basically, the fact that the TMC can do most of the jobs means that other suppliers that can also do those jobs need to be able to bid just for their components alongside the TMC bidding for all. It is a little complicated and it does make for a larger “TMC-Plus” style tender. But it obviates the need for some other tenders. The results of such a combined RFT can be still multiple contracts and relationships. This combined compartmentalized approach also creates the ideal environment

for assessing and locking in cooperation, compatibility and integration, since all parties are present in the one process.

ii. What to Tender For

- We are suggesting a combined “mega-tender” that TMCs, OBTs and hotel aggregators can respond to in part, with compulsory responses to their core areas.
- We think that air charter brokerage should also be included in the mega-tender because some TMCs provide this service. Only one that we know of actively pursues air charter business independently of corporate travel bids. That one TMC is the owner of one of your incumbent brokers. The point is that the others do not. Air charter brokerage is a part of the FIFO-oriented service pitched to resource companies in their TMC tenders. And so to access their offers for air charter broker, it would need to be tendered for alongside the main travel management business. Independent air charter brokers can bid for just that service area in the RFT. We think that there is no downside to this approach, and possible benefits from increased competition.
- Risk management and insurance are quite separate service areas not connected to TMC packages and so there would be no need to include these in a mega-tender. They could be procured separately.
- Assuming you continue to outsource the procurement of individual properties, a hotel tender would not be required.

iii. When to Tender

- If a “TMC-Plus” combined tender is undertaken, then all services and systems can be included at once, although you might consider running separate smaller tenders for Air Charter and Risk Management because these are smaller and more discrete service areas not dependent upon the TMC arrangement. If so, we would run the TMC tender first because it is the main structure and set-up.
- Otherwise, if separate tenders are run for TMC, OBT and accommodation management, the usual approach would be to run the TMC tender before others because the TMC is the cornerstone of the orthodox travel management model. The TMC has the main pre-integrated “technology stack” and others need to fit with it.

6. If You Are Brave

i. The CTD

- An internal TMC, where you build your own TMC as an internal business unit, is called a Corporate Travel Department, or CTD. It is the ultimate form of in-house travel management. We think that this is not the direction that you want to head, but a discussion of all options would be incomplete without mention of it.
- CTDs mostly happen in the US, where there is a support structure to help companies to build them, such as specialist consultancies, and regulations and industry protocols designed to enable them. These things are not present in Australia.
- Only very large travel buyers consider the CTD model, for two reasons. You need that scale to justify the effort and expense. And you will no longer be leveraging the combined spending power of a TMC to obtain a tranche of backstop discounts. You will be relying on your own spend, and so it needs to be large.

