

The Testimony of

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Before the National Commission to Ensure Consumer
Information and Choice in the Airline Industry

San Francisco

July 11, 2002

Introduction

My name is Steve Hewins and I am the president and founder of Hewins Travel Consultants, Inc. located in Portland, Maine. I have been a travel agent for 24 years and in November my company will celebrate its 20th anniversary. In addition to our Portland headquarters, we operate 7 other branch locations in small cities and towns across the State. We employ 60 people and have a business mix of approximately 55% business travel, and 45% vacation, meetings and group travel.

I come to you today from the “front lines” of the travel industry. My objectives are to represent the interests of the traveling public and by extension the future of travel agencies across America. While Hewins Travel is a fairly large company by travel agency standards, we are actually a small business as classified by the SBA. Recently we received a disaster relief loan because our revenues are slightly under the \$3 million dollar annual ceiling. While the airlines have received billions in Federal grants after the tragedies of 9/11, unlike them, I will be paying back the Government for the next 30 years. Thus, I have a personal interest in the survival of my industry.

I have read the testimony so far, and while I wish I had the time to respond in great detail to the rosy pictures painted by the airlines and their partners, I know my time before this Committee is short. That said I can assure you that all is not rosy with travel agencies and the traveling public.

Like most things in business, the true picture of a problem lies somewhere between the urgent pleadings of disaffected parties and the spin of those with the power. However, one thing in America that always rings true is that consumers dictate what they are willing to buy and how they want to purchase it. Therefore, the airlines cannot be allowed to mandate that a traveler will receive a lower fare only through a particular distribution channel. By not allowing access to web fares through the travel agencies' GDS, companies that they themselves created years ago, the airlines are manipulating the sale of air transportation in America to the ultimate detriment of much of the traveling public.

I am speaking mainly for those people who have not been petitioned by this Commission, but nonetheless are the focus of this investigation. It is the view of myself, and the vast majority of us that deal directly with the traveling public, that consumers need and want the services of professional travel agencies. My goal will be to articulate a vision of the future that includes travel agencies and airlines successfully serving the public, and to hopefully provide some useful commentary about what might be considered in your report and findings.

In his testimony, Mr. Doernhoefer of Orbitz recommends that the Commission “be on the side of technology innovation and consumer choice.” He goes on to assert, “Consumers should be free to decide how and where they want to purchase travel.” While this represents the wordsmithing of lawyers, it seems amazing to me that I am using the same exact words in the hopes that you will

reach the opposite conclusion! In a nutshell, this explains what a difficult task you have in removing the truth from the hype.

Hewins Travel's Role as a Travel Agency

Contrary to how we have been portrayed, agencies like Hewins Travel have never been opposed to technology and have actually embraced all new technologies since we were first wired to the original computer reservation systems in the late 1970s. More importantly, travel agencies have always been the last bastion of consumer choice in air transportation and travel. The exponential growth of agencies throughout the 1980s and 90s was directly related to the confidence that the public placed in us for advice and counseling. In 1982 I incorporated my business as Hewins Travel *Consultants* because I recognized then, as I do today, that most of the public needs independent consulting when it comes to arranging their travel plans wisely.

As the airlines began cutting in commissions in 1995, culminating in zero commissions just over three months ago, travel agents were implored to reinvent themselves as "information providers." We were told by the airlines that the traveling public would have to pay for this service, because they would not. Presumably, they felt that we were worth nothing to them because we steered the public to the best combinations of price and schedule, regardless of the airline and contrary to their own objectives.

Yet, how are we to assume our agreed upon role as Travel Information Providers if we are not provided with all the information? How can we fulfill this needed responsibility if the airlines share rates through Orbitz and their own Internet web sites? If selling web fares is so important to the airlines, why do they not make them available to the largest non-paid sales distribution system in the world?

Unfortunately, the answers would seem to lie in the classic abuse of market power under the guise of the 'costly' GDS, and the unquenchable thirst to control the traveling consumer at all costs. I have submitted examples of two itineraries simultaneously produced by one of our senior corporate travel consultants for one of our business clients. They show identical schedules, one found on Orbitz and the other through our GDS. The price and schedule were for a USAirways trip from Portland Maine to Memphis Tennessee. The result was \$253 on Orbitz and \$415 on our system.

USAirways is not the only culprit, and given the time we could have come up with similar examples from Delta, United, American or any of the other majors. My point is that travel agents need the same access to these fares through our GDS because we do not want to be positioned as selling tickets for a higher price than people should pay. Ironically, while the airlines complain about poor yields and low revenues, USAirways actually competes against itself by offering a price \$162 lower than what our agency has cost-effective access to. Since they pay

no base commission to Hewins Travel, is this worth the \$5 or \$10 they would have saved on 'high cost' GDS fees? The answer, of course, is no.

Our business clients, and we serve over 130 companies and organizations; pay a transaction fee to us for the lowest fare and best schedule for each trip. Like most of American business, they prefer to outsource travel while focusing on their own core competencies. Occasionally, as in the above example, a traveler will report a web fare on an airline-owned site lower than what we have in our GDS. Costly software can be employed by larger agencies to try and get around this problem with "band-aid" fixes. However, corporate travel management is still undermined because booking the traveler outside our reservation system is inefficient and drives up the costs of travel management, both for the agency and the company employees.

Hewins Travel's Proposed Solution

Should the airlines be forced to disband Orbitz and their own web sites? Should they be required to reinstate an adequate commission to travel agencies for the services we provide to both the airlines and the traveling public? Should the Commission stand by and do nothing? Maybe these are all valid conclusions, but I am advocating for another future.

I, and thousands of my travel agent counterparts across the country, have accepted our intermediary role as travel consultants. We want to sell travel

effectively for both consumers and suppliers, and that includes airline tickets in all price ranges. Hewins Travel even has its own web-booking site for business and vacation travel, in addition to our 'brick and mortar' offices. Similar to the airlines, Hewins Travel is making the difficult decisions that involve laying off valued employees, closing offices, consolidating businesses, and using new technology to improve efficiency. So, please do not be swayed by airlines making those claims, as we are all involved in the same cost cutting process.

The most important need we have in order to fulfill our ongoing and future role as travel consultants is a level playing field. We have no problem competing against other sales outlets, online or offline, but we cannot compete against the airlines themselves. This is like the manufacturer Sony telling the retailer Sears, you may sell our TVs, but we will sell some of them cheaper on our web site or on one we jointly own with Toshiba and Hitachi! This would never happen in America, so why is it only in the sale of air transportation that this occurs?

The best interests of the traveling public require that all web fares be available to all outlets, not simply airline or airline-owned web sites. If a traveler does not have Internet access, or a credit card, or is too busy to purchase their business or vacation trip online, or simply wants to do business with humans, then, let them call Hewins Travel and receive the same web fare and pay a relatively small transaction fee.

While I believe that the airlines must not have exclusive fares on their own sites or ones they control, I feel that Orbitz deserves the opportunity to become the next GDS, as they aspire to be according to their testimony in Chicago. If their fare search technologies are superior, then let them compete immediately for our business. I look forward to speaking with them! However, the Orbitz GDS must operate under the same DOT rules that all the other GDS adhere to, and make their fares available in our GDS now. Otherwise, the field is not level and consumers still do not have access to all fares through Hewins Travel.

Finally, according to studies I have read in preparation for this presentation, a web fare booked through my GDS costs about \$6. I do not know what it costs the airline to distribute outside of our GDS, but if that is the only issue involved in making these web fares available to Hewins Travel, then I'll gladly pay that difference in cost to have access to their web fares, so that I am able to professionally serve the traveling public.

I believe this Commission is committed to the public's right, not the airlines, to choose where and how they want to buy air travel. The evidence is becoming clearer that the travel agents role is not simply to sell high margin tickets, as conveyed to you by several airlines. To do our job effectively for consumers, we need access to all fares. I implore you to send a strong message to Congress, the DOT and the DOJ. Those of us on the front lines with the traveling public need your support. Thank you very much for your consideration.