Testimony By
Dr. Robert W. Joselyn, CTC

for

The National Commission
To Ensure Consumer Information
and Choice in the Airline Industry

prepared by

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I. INTRODUCTION

First and foremost, I wish to express my appreciation for the invitation to share my views with this commission on the existing role and future prospects for the travel agency distribution system as it relates to the sale of airline transportation and consumer choice.

My testimony is based on a quarter century involvement with the travel industry. In 1976 I resigned my position as a tenured Associate Professor of Marketing at the University of Denver to form a management venture group focused primarily on the travel industry. One of the initial activities of this corporation was to open two start-up travel agency operations. I was involved in the day-to-day management of both travel agencies which focused on commercial, leisure and incentive travel. In the early 1980's I expanded my responsibilities to include the positions of President and Chairman of the Board with a regional travel agency consortium I helped to develop. In 1984 sold my interest in the travel agency, terminated the management venture group, and resigned my position as President and Chairman of the Board of the travel agency consortium to engage in travel industry management consulting full time.

Over the past eighteen years I have engaged in consulting and/or training for virtually every type of participant in the travel industry distribution system. While travel agencies and agency organizations represent the single largest market segment for the firm (Joselyn, Tepper & Associates, Inc.) our efforts have included airlines, tour operators, hotel companies, rental car companies, CRS/GDS firms, associated organizations such as information publishing companies, trade press, trade organizations and more. Our efforts and experience also spans the globe with assignments over the years in 35 countries.

My educational credentials include an undergraduate degree in Civil Engineering, an MBA with a marketing emphasis and a PhD in Business Administration with an emphasis in Marketing and Operations Research. A brief biography can be found in the appendix (item 1).

II. <u>DO TRAVEL AGENCIES ADD VALUE TO THE SALE AND PURCHASE OF AIRLINE TRANSPORTATION? DO TRAVEL CONSUMERS DERIVE BENEFITS FROM TRAVEL AGENCY SERVICES AS COMPARED TO ALTERNATIVE PURCHASE OPTIONS?</u>

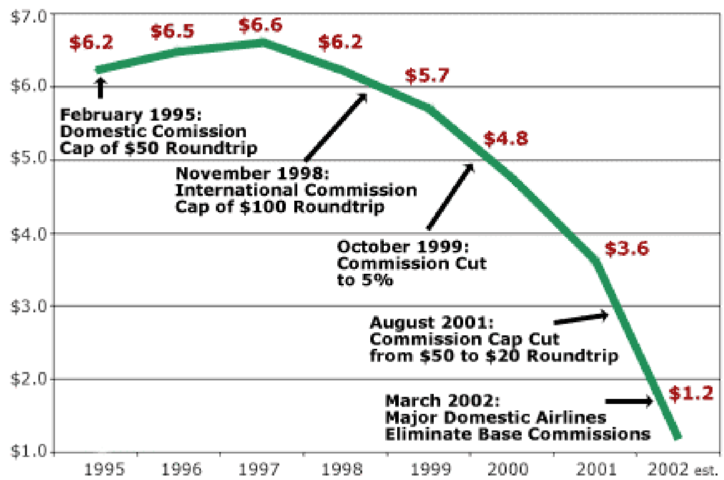
Although, ultimately, this question must and will be answered by the customers of travel agency services I will share my views. Before doing so, let me define the term "customer" from my perspective and it relates to my testimony.

In the most basic sense a "customer relationship" can be defined as an exchange in value. When a consumer purchases a product they acquire a product typically in exchange for money, although other forms of exchange are possible. Exactly the same definition can be applied to services. Using this definition the traditional travel agency has had two customers; (1) travel industry "product" suppliers such as airlines, tour companies, resort properties and others, and (2) travel consumers.

I recognize that it is describing the agency supplier relationship as a "customer" relationship that will be the most perplexing to the commission. In fact, the essence of the relationship is that travel agencies have, and do, provide services to the benefit of travel industry suppliers and are compensated in return for these services when they sell their "products." The traditional form of compensation has been a percentage commission based on the sales price of the suppliers "product."

With that as a preamble, let me return to the question of agency value. Let's first examine whether there is value to the traveling consumer purchasing air transportation. I believe there can be no question that the answer to the question of agency value is, on average, an unqualified yes. Support for this comes both from consumers themselves and from third party analysis.

Consumer recognition of agency value, from both leisure and business travelers, is clearly supported by a willingness in recent years to pay a travel agency service fee over and above the cost of the airline transportation itself, and over and above the cost of alternative purchase sources. Prior to the recent total cessation of up front commissions, since February 9, 1995 airlines have reduced agency compensation on four different occasions.



Each time airline compensation was reduced the travel agency community successfully implemented an increase in consumer service fees while retaining a significant majority of airline sales. Consumers clearly valued agency services at the level of fees necessary (typically in the range of $25 per reservation prior to the total cessation of commissions) for the agency to cover its cost of service and yield a very modest profit. From an economic perspective, there appeared to be very little elasticity of demand for agency services within this range of service fees ($0-$25).

The value consumers received and perceived was the time they saved by having someone else search out the best purchase value and the money they saved as a result of agency efforts to do just that. The time-savings needs no support beyond the experience of everyone on the commission. Even Kevin Iwamoto, National Business Travel Association President, acknowledges the value of saved time, among other benefits, derived from using a travel agency. In a July 16, 2002 interview with USA Today (See Appendix, item 2) business travel reporter Chris Woodyard the following exchange took place;

"Q: Are they (businesses) letting travelers book more of their own

travel?

A: Once you start booking outside the corporate structure, you lose on many fronts.

You lose the data, you lose the policy control and you lose information. September 11 showed we need to know where all our travelers are.

If they're booking their own travel on the Web and something tragic happens, we have no way of letting management know or even their families know where they are.

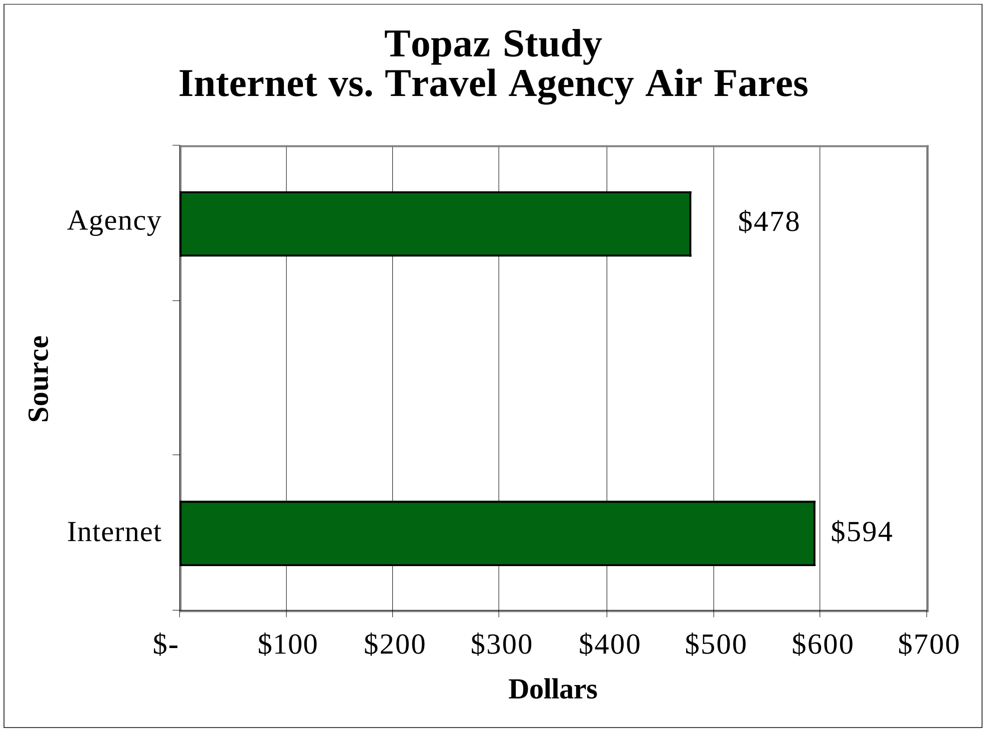
Q: Could travels save the company thousands of dollars by using the Web to book travel?

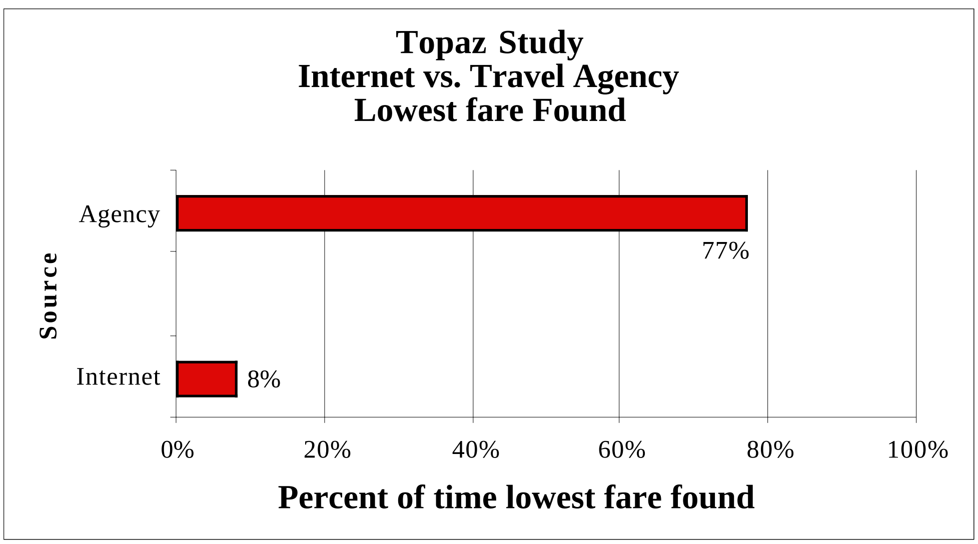
A: Sometimes yes, sometimes no. I think that's a myth.

Q: In what way?

A: People aren't factoring in the cost of doing that. People are highly paid individuals and they're playing a travel agent role or self-booking tool role, which should not be in their job purview. They should concentrate on their core job."

Kevin Iwamoto also appears to be correct in his belief that actual fare saving are a myth. That the agencies actually saved the consumer money versus alternative purchase options, most specifically self-booking options utilizing internet alternatives is documented. In a TOPAZ International, Ltd. press release dated July 12, 2002 entitled, ***"Are Internet Fares Really Lower than Agency Fare?"*** (See Appendic, item 3) Topaz compared approximately 19,000 agency-booked itineraries with various internet travel sites including Orbitz, Expedia, Travelocity and carrier-specific sites. TOPAZ found that the itineraries booked through a designated corporate travel agency averaged $116 less than the same itineraries booked on the internet travel sites. The average agency-booked fare during this time period was $478 while the average fare booked through the internet sites was $594. Topaz found that while lower fares were found 8% of the time on the internet versus a corporate travel agency that the reverse was true 77% of the time!





The Topaz research was based on business travel where travelers generally have a limited range of flexibility. Although a similar study is, to my knowledge, not available for leisure air travel purchasers, it is not a wild assumption given their generally greater flexibility in travel plans that the differential in average price paid on the internet versus through a travel agency would be even greater given the enhanced opportunity for agency creativity.

What this comparison does not do is to compare travel agency performance against airline reservation staff performance. On average I would expect the results to be similar.

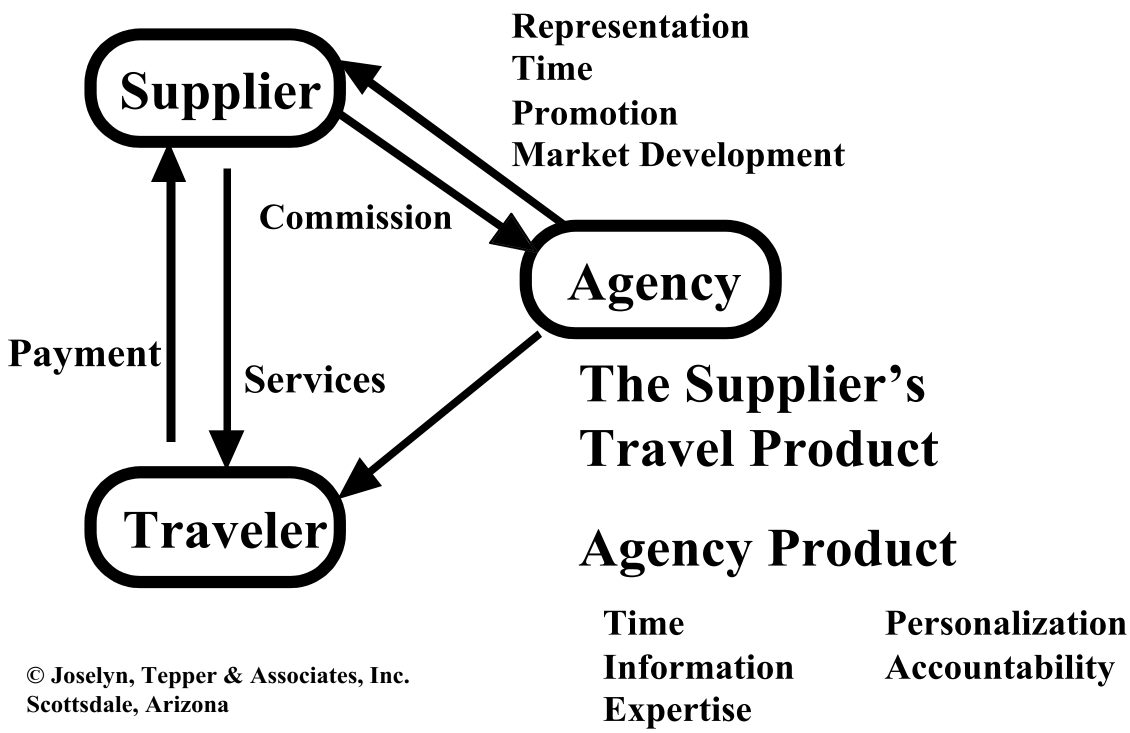
I believe the primary reason for the differential in fares paid by consumers when buying from internet sites versus from a competent travel agent is that consumers too often do not know which "what if" questions might result in a lower airfare. Initial internet queries to an online customer often commit and limit that customer to a set of options that do not lead to lower fare alternatives. Consider, for example, my trip to Washington, D.C. to provide testimony to this commission. My internet query encouraged me to identify this as a round trip (which it is) and to select a departure and arrival airport. When I did so the very best fare found was in excess of $500 round trip. It was an experienced human professional who suggested we examine routes through different cities and the possibility of an arrival at one airport with a departure from another airport. Sure enough, PHX-DCA-BWI-PHX results in a mid $300 airfare and a substantial savings even with a travel agency service fee added.

Whether or not some airlines purposely design the system to take advantage of non-professional consumer ineptitude I do not know. That they know that consumer self-booking generates a higher yield on internet and airline owned reservations system sales I have little doubt. I would therefore submit to this commission that the economics of a changed distribution strategy emphasis are based not only on agency commissions and CRS/GDS segment fees, but on the knowledge that on average the consumer will pay significantly more on average when they book via the internet or on their own reservation services. In fact, I would go so far to suggest that the enhanced revenue derived from this source is likely to be of far greater significance than the savings in commissions and segment fees combined and that references to those costs as a rationale for promoting self controlled distribution may in fact be a smoke screen for a far more troubling reality.

Do travel agencies add value to consumer purchases? Even without the follow-up problem resolution services, changes services and the myriad of services provided to commercial clients, the answer is clearly yes. It is up to the agencies themselves, however, to tell this story to the public.

At the outset I mentioned a dual agency customer relationship, the second being the relationship between the travel agency and the travel industry supplier, in this case the airlines. By reducing front-end commission compensation airlines are clearly stating that the services provided to the benefit of the airline are no longer of the same comparative value that they once were. Alternative distribution, most particularly self-service internet based distribution is now perceived as (for the reasons previously discussed) as a superior financial alternative. As a result it is crystal clear that airlines have adopted a two prong strategy to move consumer purchases from travel agency distribution to internet based distribution. Strategy number one is to discourage travel agencies from selling airline transportation by drastically reducing agency compensation and to force travel agencies that wish to continue doing so to charge fees at a level which discourages consumers from buying from them. Strategy number two is to encourage consumers to purchase air travel through internet distribution mechanisms by creating the perception of better internet-only “deals” and/or related incentives.

From an unbiased perspective, I believe airlines have the right to choose to compensate travel agencies as much or as little as they want. I also believe that travel agencies have the right to choose whether or not they want to sell airline transportation for the compensation offered (or not). In fact, I am on record over the years as having said that there was some logic in airlines deciding to no longer subsidize the services travel agencies provided to the benefit of the consumer traveler, and the fore, reduce commissions. When asked by travel agency owners whether that would lead to zero commissions I also said “no.” First, travel agencies provide services to the benefit of airlines, services that would cost the airlines money to perform if the travel agency didn’t. Second, I saw little logic in airlines offering less commission than their lowest cost of alternative distribution, presumably internet based booking options. And, until one considers the enhanced revenue from profiting from consumer confusion or ineptitude, that logic is justified.



The bottom line, and I believe this goes to the core of this committee's interest, is that the only rationale I can see for the current airline distribution strategy is that by doing so they can take advantage of consumer confusion, lack of industry specific knowledge, and lack of professional skills possessed by travel agent professionals.

I hope it is clear to the commission and to the travel agency community itself from my comments the great personal respect I have for what a dedicated, competent, professional travel agent can do. I hope that because I am just as certain that some agency owners will not agree with all that follows.

III. DO TRAVEL AGENCIES HAVE ACCESS TO "INTERNET-ONLY" AIRFARES?

I have read with great interest reports on the testimony of others concerning access to internet-only airfares, particularly those offer by Orbitz. Some have suggested that these airfares are not available to them. Frankly, I am mystified by this conclusion.

In my view travel agencies have access to internet airfares through the application of third party software that will conduct internet fare searches in an effective and efficient manner. I believe there was testimony to this effect in the recent San Francisco commission hearing. Beyond this alternative is the obvious fact that any travel agent can access and internet site through their PC in exactly the same way any consumer can. As such, it is my opinion that this issue has been miscast.

What is at issue is the availability of internet-only airfares in the standard CRS/GDS data base at no additional cost from third party software (service) providers and the corresponding ability of travel agencies to sell that fare directly as opposed to facilitating the direct purchase between a customer and airline. In this regard, it is my understanding that some travel agencies and agency representatives are asking for legislation or Department of Transportation rules to require this.

Personally, I believe it would be difficult to support legislation and/or the application of rules to force airlines to provide what are now internet-only fares as part of the CRS/GDS database. There are many industries where suppliers engage in alternative distribution selling at differential prices and/or product. Whether or not these strategies are ultimately successful from a business perspective is generally (and probably should be) left to the market, not regulation. I say this not only from the perspective of my own business philosophy but from the perspective that I believe the travel agency community has the opportunity to win marketplace rejection of such airline strategies. To this point, it would now appear that corporate America is telling the airlines that it wants to do business with its travel management firm (agency) and that it wants the agency to have access and the ability to book those fares. Ultimately, if corporate America really means that, and if airlines are prevented from a collusive effort to resist, corporate America will have its way. I would submit that the same would be true for the leisure traveler.

With this issue there is a meaningful difference between managed corporate air travel and unmanaged corporate air travel and leisure air travel. When the best airfare is only offered on an airline controlled internet site and the travel agency books that airfare on behalf of its corporate client, the ability to manage the clients travel purchases is seriously compromised. The travel agency can still charge the client for a looking and booking facilitation fee and is not disadvantaged in that manner. To the extent that corporate clients will stop using an agency because travel management services are compromised is another manner.

With respect to the unmanaged corporate and leisure air travel purchaser the agency can also charge for the looking and booking facilitation. Once again, it is difficult to see how the agency is harmed from this perspective. Where the agency is vulnerable when facilitation client purchases of internet-only airfares, is on the economic losses associated with CRS/GDS contract agreements.

I have already stated that I personally do not see a rationale for restricting airlines from offering internet-only airfares. This assumes the restrictions against airline collusion on such distribution practices are aggressively enforced and that the harm caused by CRS/GDS agreement shortfalls are somehow addressed. (In fairness, and with imperfect knowledge, I believe the CRS/GDS vendors are beginning to address this issue.) Travel agencies signed good faith long-term contracts with CRS/GDS companies based on distribution realities and expectations at the time of contract agreement. CRS/GDS companies have relationships with airlines who then changed the economic equation for agencies affecting the CRS/GDS agreements. While I do not profess to understand the intricacies of the agency-airline-CRS/GDS manage-a-trois I do understand that it has resulted in a dysfunctional relationship to the financial detriment of the travel agency. Whether directly by the parties involved, or by government intervention, the issue of CRS/GDS booking thresholds and the impact of changing airline policies on travel agents needs to be addressed.

IV. **WILL AIRLINE NET FARES WITH SEPARATE DISTRIBUTION CHARGES LEVEL THE PLAYING FIELD FOR TRAVEL AGENCIES?**

It's possible, but unlikely, that forcing airlines to offer net fares, with airlines and agencies then identifying and adding distribution service fees to the total price a travel customer pays, could level the competitive playing field between airlines and agencies. First, this only levels the playing field if the declared airline distribution cost (fee) is at least as large as that required for the typical travel agency to cover their costs and yield a modest profit associated with the sale of airline transportation ($40-45 is a good average within the United States). What distribution cost might an airline use? Internet distribution cost? Airline reservation center costs? The average? Of course, neither is directly comparable to a travel agency. Second, if airlines want to disadvantage agencies they simply have to engage in the type of creative cost accounting we all now recognize corporate America is capable of. Instead of saying the net fare is $500 and the add-on distribution fee is $40 airlines can simply say the net fare is $530 and our net distribution fee is $10. Who will monitor this? Who will establish and enforce "fair accounting" standards? I believe the commission knows the answer to that as well as I do.

Last, but not least, why should the airline industry be required to do what no other industry must do? What other industry or business is required to break out its product costs from distribution costs?

I fully understand that the interest in this was raised by the SAS model. While it theoretically could work, it's difficult to imagine that it would work.

V. **IS THE FINANCIAL CONDITION OF TRAVEL AGENCIES DECLINING?**

Absolutely yes!

There are, however, a variety of reasons for this. What I assume the commission is interested in is whether the financial condition of travel agencies is declining because of airline initiatives? In answering this question I will address two issues; (1) reductions in commissions and (2) internet only fare competition.

It would be difficult to make a case for the decline of agency financial condition across the board for airline commission cuts prior to the cessation of front-end commissions in 2002. In fact, as stated earlier in this testimony, most travel agencies were extremely successful in offsetting lost revenue form airline commissions with the implementation of service fees. While some agencies did suffer this was typically the result of poor implementation and follow through. To the contrary, many agencies actually enhanced their revenue from the sale of airline transportation through a combination of the commissions that continued to exist and service fees.

A vitally important reason for the negligible impact of service fees on agency airline related revenue was that the consumer resistance at the levels of service fees requested prior to zero commissions was quite modest. As pointed out earlier, demand was relatively inelastic at fees levels up through the $25US range. The committee needs to understand that virtually all fee introduction and increases occurred during robust economic times and that the incremental increases in fees were relatively small.

Airline cessation of front-end commissions appears to be quite a different matter. Economic times are challenging and the change in fee levels required for most agencies need to double over night. While the jury is still out it is my belief (and no one globally has as much experience with travel agency service fees as do I) that consumer resistance will be dramatic at service fee levels in the $40-45US range. The net effect of this is clearly a significant revenue stream loss for agencies of virtually every size. Coupled with an infrastructure and employee base developed to service the large volume of business that will be lost is and will put a majority of travel agencies in financial peril. It will also cost many jobs within the industry.

As for internet only airfares, it is my opinion that this too will cause a loss in business to the travel agency community but that this is a far less severe threat than zero commissions.

Both of the airline actions just addressed are threatening enough on their own. Added to the economic downturn and corresponding downturn in demand for travel and the ultimate impact will be devastating for many agencies.

VI. WILL TRAVEL AGENCIES SURVIVE?

Some.

Not unlike many other businesses and industries, travel agency reside in a business ecosystem that is changing rapidly and dramatically. When ecosystems change rapidly and dramatically it is the mutants that survive. Too many travel agencies today are wasting time, money and emotional energy trying to resurrect a past that will never again become the present. Some believe that the path to accomplishing this is through legislation and the application of rules that make other distribution participants behave the way they would like them to. This won't work any better than attempting to legislate the continuing existence of blacksmiths after the advent of the automobile. Those travel agencies attempting to move the industry operational model back to 1975, 1985 or 1995 are misplacing their inventive resources.

Having said that, there are many fine travel agency owners and managers who grasp the ecosystem changes and have the capability to successfully adapt their business model to take advantage of the opportunities available. I, for one, believe the historic "agent for the supplier" business model is headed for extinction. In the pure version of this model the travel agency sells at supplier suggested retail and derives the significant majority of its revenue from commissions paid by suppliers for the sale of supplier products. Commissions have been forcefully reduced/eliminated by airline suppliers. I believe commissions from other non-airline suppliers will decline for a variety of reasons, not necessarily similar to those associated with airlines. The clock on the historic travel agency business model is ticking.

In my view, surviving travel agencies will evolve (and are evolving) into two alternative business models. One is a travel retailer or merchant, the other is becoming a travel consultant to the consumer.

Agent for the Supplier (Sales Agent)

Pricing Revenue Source	**Sell @ supplier suggested retail. Primary income from commissions. Limited service fees.**
Product Emphasis	**Emphasis on supplier product. Alignment and selection important. Limited emphasis on own service.**
Promotion	**Emphasis on supplier brands. Reliance on supplier advertising. Emphasis on personal selling.**
Distribution	**Order taking office atmosphere. Location for visibility and convenience. Bankers hours.**

Travel Retailer (Merchant)

Pricing Revenue Source	**Prices by own markup/markdown strategy. Primary income from margin between price and CGS. SF on extra atypical services.**
Product Emphasis	**Emphasis on supplier & agency product. Alignment/distributorship on supplier products. Service/product positioning choices.**
Promotion	**Emphasis split between supplier brand and own retail positioning. Advertising/specials & merchandising. Close with personal selling.**
Distribution	**Retail atmosphere with sales areas. Location is vital - high traffic - visibility. Retail hours all the way.**

Travel Consultant
(Service Company)

Pricing Revenue Source	**Service charges and professional fees. Supplier products sold at net.**
Product Emphasis	**Own service. Supplier sale and selection limited only by professional preferences. Alignment only important in terms of price.**
Promotion	**Virtually all on own services and professional capabilities. Emphasis on personal selling and relationship marketing. Professional ads.**
Distribution	**Professional office setting. Location important in terms of image. Professional service hours and by appointment.**

The travel retailer model is not for the small, the timid or organization without substantial resources. This business model will require substantial promotion and the very likely prospect of taking inventory risk on travel industry supplier product to have access to favorable net pricing. I suspect that this business model is only a realistic prospect for the largest of today's travel agency "chains."

The "travel consultant for the buyer" is quite another matter. In fact, this is exactly the model that has come to dominate agency client relationships in the corporate travel management sector. It is a model that I believe will work for an agency of any size and orientation.

Once agencies shift their mind set from "how much can I afford to give away given the commission we receive" to "what is the customer willing to pay for" a vast new opportunity for identifying and selling travel facilitating and related products and services becomes possible.

Will travel agencies survive? Some. The smart, clever and hard working mutants will survive and prosper. Those who spend too much time trying to resurrect a past or preserve a present that is changing as we meet will discover they didn't have that time to squander.

VII. SUMMARY

Once again I thank the committee for their interest in my observations. To summarize my key points:

- Travel agencies bring documented value to consumers and to airlines.

- I believe airlines recognize that consumer pay more on average (too much?) when they can be lured into self-booking options or to purchasing direct.

- The only logic for zero commissions to travel agencies is the bullet point above.

- Agencies have access to internet only fares, just not the ability to sell those fares as an intermediary agent.

- The real issues with the inability to sell internet only fares as an intermediary agent is the back end service disadvantage agents have with both corporate and leisure clients and their contractual commitments for segment bookings with CRS/GDS companies.

- Requiring airlines to offer net fares with separate add-on distribution fees could level the competitive playing field between travel agencies and the airlines themselves, but is unlikely to do so if the airlines do not want it to. Beyond this, requiring the airlines to do this would seem to impose regulation on airlines not applicable to other industries.

- Airline actions have and will cause substantial financial distress to a sizeable portion of the travel agency community.

- A common thread throughout all the issues being addressed is the collective and/or collusive actions by airlines with respect to pricing, marketing and distribution strategies. Ensuring that a truly independent and completive decision making environment among airlines exists is the ultimate solution to everything.

- Travel agencies, as an institution will survive, although perhaps evolving to business models far different than is typical today. Individual travel agencies will survive, or not, based on their vision, courage, capabilities and resources. As is the case with any industry, business survival comes with no guarantees.

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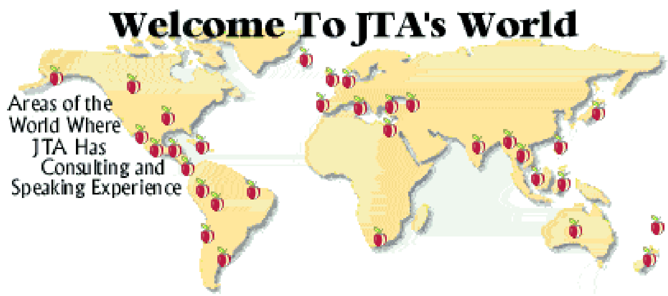

Dr. Robert W. Joselyn, Ph.D., CTC is President and CEO of Joselyn, Tepper & Associates, Inc., (JTA) a travel and tourism industry marketing and management consulting and service firm with its home office in Scottsdale, Arizona and branch offices in San Francisco, and Sydney. The firm provides marketing and management services to a broad spectrum of travel and tourism industry clients throughout the world. Dr. Joselyn holds a Doctorate in Marketing and Operations Research in addition to an M.B.A. and an undergraduate degree in engineering.

Dr. Joselyn's past and present clients have ranged from smaller travel firms to a who's who list of the travel industry including thousands of travel agencies and agency organizations such as AAA, American Express, Carlson Wagonlit, Uniglobe, Virtuoso, LTG, MAST, WESTA, GIANTS, and many many more including agency organizations in Australia, Mexico, New Zealand, South America, Central America, The Caribbean and South Africa. JTA supplier clients have included Disney Travel, United Airlines, Hilton Hotels Corporation, ITT Sheraton, NCL Cruise Lines, The Ritz-Carlton Hotel Company, The Reed Group, Tauck Tours, Classic Vacations, Sunmakers, YA'LLA Tours, Amadeus, Apollo/Galileo, Worldspan among others. Industry associations such as ASTA, The Australia Tourist Commission, The Netherlands Tourist Commission, Hotel & Travel Index, ICTA, ACTA have utilized JTA services. He has given over two thousand management and training presentations to virtually every highly regarded organization in the travel industry. Dr. Joselyn's views and articles have appeared in Travel Weekly, Business Travel News, Tour and Travel News, Travel Agent, Travel Age, ASTA Agency Management, The Travel Counselor, U.S. News and World Report, The New York Times, USA Today, Working Woman, Entrepreneur and more. Dr. Joselyn was recognized as one of the travel industry's most influential contributors by **Travel Agent Magazine**.

Prior to establishing his own marketing and management consulting organization in 1985, Dr. Joselyn spent the previous eight years in management positions within the travel industry. that included travel agency ownership and consortia management. Before entering the travel industry, Dr. Joselyn served on the Marketing Faculty of the University of Denver, during which time he was involved in management consulting for a number of different industries.

Dr. Joselyn is the author of seven books, including ***The Travel Agency Personnel Policy & Procedures Manual Workbook*** and ***Mastering The Art of Collaborative Selling***. He is also featured in two video training programs including the recently updated video set entitled ***"Service Fees: Making Them Work".***

Business travel
Every Tuesday

Travel pro: Hassles deter fliers

'Irrational' fares also a factor, he says

The travel industry has been in turmoil since Sept. 11. Now, 4,200 corporate travel managers and travel-industry representatives are at the National Business Travel Association's convention in Salt Lake City this week to discuss the industry's changes and trends. USA TODAY business travel reporter ***Chris Woodyard*** *spoke with NBTA President* ***Kevin Iwamoto*** *for his outlook. Iwamoto is also a travel manager for Hewlett-Packard.*

Q: How healthy is corporate travel now?

A: Travel is still down, but it is picking up. Our surveys show the numbers are moving north, but it's not moving north as quickly as in times past. I think it's the economy, it's the security hassle factor and I think it's the irrational fare pricing. It's a combination of all three. It's ridiculous when somebody has to pay $2,000 and someone else can pay $398.

Q: How is security affecting travelers in airports?

A: I think they're bothered by the inconsistency of the process. I think they understand the necessity of it, but I do believe the hassle factor has become quite bothersome.

Q: Are people refusing to travel?

A: I think you can safely say there are a lot of travelers who are reluctant to travel because of the hassle factor.

I also think you have a lot of individuals who have re-evaluated their priorities in terms of being a road warrior vs. spending more time with friends and families after Sept. 11.

Iwamoto: Travel expert.

Q: Is there a passenger rebellion among business travelers?

A: Yes, and that was happening before Sept. 11. Sept. 11 only accelerated that trend. The airlines need to be courageous.

They need to define who their marketplace is, and they need to cater to that marketplace. They need to stop being all things to all people, and they need to focus on their business — how to make money — and stop doing irrational things that make them lose money.

By Michael Dwyer, AP

Hang-up: Mert Baydur makes a cellphone call at Logan International in Boston before passing through security in March. Security hassles are keeping some people from flying, says Kevin Iwamoto of the NBTA.

▸ To read a full transcript of this interview and hear an audio clip, go to travel.usatoday.com

Q: Do you see anything encouraging on airfares?

A: Fares are low. But it bothers me when they are so low that airlines have some of the highest load factors they've ever experienced, but they're still breaking even or losing money. That tells you right there that the business model doesn't work.

Q: It seems unusual that someone whose job is buying air travel for a living would be complaining that prices are too low.

A: I'm not saying it's too low, but they need to identify what their profitable mix is. It's not good when it's either too low or too high.

Q: What do you think about the experiments by carriers like America West and others to reduce their walk-up fares? Is that making a difference?

A: I think that's a move in the right direction. But I also see some airlines pressuring those who have moved that way to go back to the old way of pricing.

America West has been under significant pressure from their competitors. Where they compete head to head with other megacarriers, they have been hammered.

Q: How are companies trying to get lower fares for travelers?

A: They're talking to lower-cost carriers, renegotiating existing agreements, they've been helping to facilitate more usage of Web conferencing, teleconferencing.

Q: Are they letting travelers book more of their own travel?

A: Once you start booking outside the corporate structure, you lose on many fronts.

You lose the data, you lose the policy control and you also lose information. Sept. 11 showed we need to know where all our travelers are.

If they're booking their own travel on the Web and something tragic happens, we have no way of letting management know or even their families know where they are.

Q: Could travelers save the company thousands or hundreds of dollars by using the Web to book travel?

A: Sometimes yes, sometimes no. I think that's a myth.

Q: In what way?

A: People aren't factoring in the cost of doing that. People are highly paid individuals and they're playing a travel agent role or a self-booking tool role, which should not be in their job purview. They should concentrate on their core job.

TOPAZ International, Ltd. :: Press Release

Are Internet Fares Really Lower than Agency Fare?

Portland, OR - July 12, 2002 -

With the current perception by many business travelers and some travel managers that they can purchase lower-priced tickets on the internet, TOPAZ put agencies and internet travel sites to the test.

Between January and June, 2002, TOPAZ compared approximately 19,000 agency-booked itineraries with various internet travel sites including Orbitz, Expedia, Travelocity and carrier-specific sites. TOPAZ found that the itineraries booked through a designated corporate travel agency averaged $116 less than the same itineraries booked on the internet travel sites. The average agency-booked fare during this time period was $478 while the average fare booked through the internet sites was $594.

"There is a high level of perception by many travel-industry individuals that corporations must have access to the 'lower fares on the internet' in order to provide a worthwhile corporate travel program. We have not yet seen the evidence to support this belief," states Valerie Estep, President, TOPAZ International, Ltd. TOPAZ found lower fares on the internet only 8% of the time while 77% of the time the cost for the same itinerary was higher on the internet travel sites compared to a corporate travel agency.

Overall, the savings realized was 19% for itineraries purchased through a corporate travel agency - compared to the same itinerary if purchased through the specified internet travel sites. "While sometimes fares found on the internet are lower than those offered by corporate travel agencies, they are not typically an 'apples to apples' comparison, but rather an itinerary within the parameters of a corporate travel policy vs. one that might not even involve the same travel days," says Estep.