



PRESENTATION NOTES
AMERICAN SOCIETY OF TRAVEL AGENTS
WITH
TRANSPORTATION TRANSITION TEAM
December 19, 2008

About ASTA

ASTA was established in 1931 and is the leading professional travel trade organization in the world. Its current membership consists of about 3500 domestic travel agency firms (representing the majority of agency locations and the vast majority of the business sold in the U.S). ASTA is a classic 501(c)(6) trade association that represents the interests of travel agents to all levels of government and industry, while promoting professional and ethical conduct and consumer protection for the traveling public.

ASTA's members vary in size from the smallest home-based agent to most of the largest travel management companies such as American Express Travel, as well as the large online agencies like Expedia, Orbitz and Travelocity

About the Industry

- Travel Agents in 2006 sold over \$142 Billion in total travel representing:
 - 82% of cruises / \$10.4 Billion
 - 31% of hotel occupancies / \$31 Billion
 - 73% of tours and packages / \$9.6 Billion
 - 72% of airline tickets / \$91 Billion
- 18,000 airline accredited agencies
- 100,000+ travel agency employees
- 73% of agency employees are female
- 84% of agency owners are female
- The average agency has 7.1 employees
- 55% of agencies sell less than \$2.5 million in annual gross sales
- U.S. carriers provide no base/standard commission to travel agents
- Travel agents live primarily on service or transaction fees paid by their customers



Industry Challenges

Travel agencies face the same challenges as all small businesses – access to credit for working capital, keeping up with technology and the enmity of some suppliers to the role of the middleman.

The airlines are travel agents' greatest challenge even as they remain a necessary and vital segment of agents' business. Travel agents in general support the airlines on many important issues such as the redistribution of the burden of ticket taxes and improvements in air infrastructure.

Yet, despite many commonalities, the airlines do not make it easy for travel agents to do business.

The airlines enjoy considerable anti-trust deference to their collective determination of who gets to be a travel agent and to their collective control of the ticket settlement and payment system run by their wholly-owned called the Airlines Reporting Corporation (ARC).

While agents have some superficial input into ARC decision-making, most of its operations are opaque and are managed unilaterally for the benefit of the owners. There have been many abuses. For example, ARC developed a program called Payment Express that uses the airlines' collective power to automatically deduct from agent bank accounts a fine that an airline alleges an agent owes. The fine to the agent can sometimes be greater than the ticket price.

Airlines maintain arbitrary rules that, for example, require consumers to pay more for a seat sold to a group than the same seat sold individually. ARC has now, through unilateral interpretation of the standard airline-agency appointment agreement, threatened agents with complete termination of their authority to sell tickets on all airlines on the basis of a financial dispute between the agent and a single ARC airline.

Despite the deployment of massive amounts of information technology, the airlines often refuse to communicate with travel agents in ways that are calculated to deliver information. They have, for example, created agency websites to post policy information governing agents, but often fail to update these sites, and/or organize and write the information in such a way that the information can readily be found and understood.

Airlines should be required to fully conspicuously disclose changes to policies and procedures that impact business relations with travel agents, as they should with respect to consumers. Airlines cannot be permitted to continue engaging in a game of "gotcha" whereby they strike unsuspecting agents with penalties and fines for hidden policies of which the agents never received notice.

Even DOT has experienced similar issues with the airlines. When the airlines recently decided to impose checked baggage fees, many of the airlines attempted to impose and collect the fees on passengers that had purchased tickets prior to the baggage fee policy change. DOT had to instruct the airlines that they could not change the rules after ticketing, and that newly announced baggage fees could only apply to tickets purchased after the announcement date, following proper advance disclosure of the fees to consumers.