

Friday, August 31, 2001

Travel agents bemoan newest commission cuts

Wichita Business Journal - by [Mark Story](#)

Airfares in Wichita -- already the nation's seventh highest among major airports - will be even higher because airlines are cutting commissions, local travel agents say.

Travel agents are increasing their fees, they say, because airline commission cuts are reducing their revenues. Higher fees mean flyers pay more when they call a travel agent to make airline reservations.

Devin Hansen, vice president of operations and owner of Wichita-based Sunflower Travel, describes commission cuts as an attempt to run them out of business and force travelers into booking and paying for airline tickets over the Internet.

Hansen says commission cuts only add to an incremental earnings loss to Internet bookings, now accounting for around 10 percent of total airfare transactions. Last month, Delta reported that it had online sales of more than \$100 million, a 60 percent increase over the same period last year.

Backdoor increase

"It's a hidden, backdoor ticket increase, because travel agents will have to add fees for survival," says Hansen.

If ever travel agents needed a reason to diversify into non-airfare related revenue streams, says Hansen, it was the Northwest Airlines and US Airways decision to follow commission cuts initiated by their counterparts.

The latest commission cut, the fifth in the last six years, saw Northwest, American Airlines, Trans World Airlines, United Airlines and Delta airlines reduce agent commissions from 10 percent to five percent. They've also reduced the cap, or the limit agents can receive, from \$50 to \$20 on round-trip tickets and from \$25 to \$10 on one-way tickets.

An agent who made \$90 from a \$900 ticket six years ago now makes \$20. The commission airlines' pay on international air travel has also been cut from \$100 round-trip to \$50.

"It's money right off our bottom-line," Hansen says. "I think commission cuts to travel agents will backfire. We're trying to get to the point where commissions from airline ticket sales goes to nil by making money on cruise commissions, service charges and hotels -- even car rental companies give us 5 percent commission."

Hansen says corporate travel agents who sell high-price tickets to business travelers will feel the commission cut more severely.