

TravelAge

WEST

New Networks Alarm Agents

By SCOTT STUECKLE

SAN FRANCISCO — A confluence of economics and deregulation has cut new channels of distribution around established travel agency operations that have opened the floodgates of controversy.

These new affronts to the old order of doing business come from a growing number of aggressive networks that recruit novices to sell travel wares. Fear and loathing of this unorthodox competition comes mainly from orthodox travel counselors who say the neophyte agents are more interested in ripping off suppliers than in selling the products.

ARTA President Paul Bessel sounded the alarm in September at the association's International Conference in Costa Rica, citing a growing number of "fraudulent agents" toting phony identification cards. The ARTA board pledged to undertake a "cleanup of the industry" (*TA-West*, Oct. 14).

More recently, ASTA attorney Paul Ruden decried the unorthodox

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The barge 'Anjod' cruises down France's Canal du Midi. See story on page 38.

CL Thomson Offers Credit

SAN FRANCISCO — CL Thomson Express, a major wholesaler and consolidator based here, has launched a Fly-Now, Pay-Later credit line for clients purchasing cruise, airline or hotel products through the company.

According to CL Thomson President George Chen, the program allows participating travel agents to offer their clients a revolving line of credit for up to \$10,000. Clients can pay off the debt at an interest rate of 19.8% per year, which is 1.65% per month, he said.

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Lawyer Adds Parties to Hemphill Harris Suit

NEW YORK — The attorney representing more than 800 clients who claim that now-defunct Hemphill Harris Travel defrauded them has amended the class-action suit (*TA-West*, Aug. 12) to include new defendants, among them bankers, investors and the former wife of Ron Harris.

The suit originally was filed by New York-based attorney Thomas

Dickerson on behalf of client Samuel Marcus, and seeks nearly \$3 million in damages arising from the Oct. 14, 1989, default of Hemphill Harris Travel Corp.

The initial complaint was lodged against Hemphill Harris and its former president, Ron Harris, along with parent company Weststar Acquisition Corp. and its president, David Dukesherer. It alleged

that the tour operation was stripped of at least \$2.8 million in consumer deposits and operating funds in order to buy out former shareholders.

The Marcus filing charged that once stripped of these monies, Hemphill Harris was rendered "an empty and insolvent shell," and could not deliver the tours scheduled for departure after Oct. 14.

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Mexicana Drops Tour Program

By PATRICIA ALISAU and SANDRA STEWART

MEXICO CITY — Mexicana Airlines will drop its in-house tour program, Travel All-Inclusive, by the end of this year and embark on an extensive new marketing campaign, according to the carrier's new vice president of sales, Eduardo Pizarro Saurez.

"We were like a sleeping giant for a couple months," said Pizarro, referring to the carrier's low profile following the resignation of a few top executives earlier this year. "Now, we intend to shake everybody up because we are coming back aggressively," he added.

Several wholesalers contacted by

TA-West said the decision to retire the TAI program is a good start.

"We have always said that Mexicana has a tremendous opportunity not to compete with wholesalers, so we support their decision to drop the tour program," said Andres Dubin, vice president and general manager of Mexico Travel Advisors, which steadfastly refused to sell TAI packages. "I feel confident that we'll be able to work with Mexicana," he added.

Karen Garr, executive vice president of American Leisure, another vocal critic of the tour program, said her company lobbied for the change, but added that, "I think it

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The TravelAge Trade Show in New York takes place March 27-29. A registration form is at page 33.

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Travel Industry Ripe for Unorthodox Agencies

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sales practices of "a growing list of companies that offer travel agent identification cards to [consumers] who don't sell any travel products."

What travel agents should be worrying about, however, is that many of these new kids on the block really are selling travel products and their employers are making out like bandits, according to San Francisco-based travel industry attorney Alexander Anolik, who has written a soon-to-be-released book on the growing independent agent community.

The centralization of agency operations and the decentralization of the sales force has led the industry into uncharted waters, Anolik said, and opportunistic businesses are riding a wave of success.

Agency Defaults

Anolik, citing a high number of agency defaults this year, predicted that many foundering retail outlets will sink in 1992 as the result of the continuing recession. Into the breach will jump members of the new, competitive breed of travel agency, "some good, some not so good," he said.

World View International of La Jolla, Calif., a company Anolik represents, has been lambasted by travel agents since *TA-West* published a story about the multilevel marketing company last spring (*TA-West*, March 25). One of the major irritants to agents has been the firm's practice of selling travel agent ID cards to consumers for \$495.

Detractors also have claimed that World View (and similar networks nationwide) doesn't try very hard to train new recruits and makes most of its money selling memberships — an assertion denied by World View President Tim Donlan.

An ARC- and IATAN-accredited agency, World View has signed up more than 1000 outside agents, at \$495 each, who have sold 78% of the company's air segments, Donlan said.

"If we aren't selling tickets, how come we still have our appointments?" he said.

Allegations that the company has run afoul of state statutes on pyramid schemes were being investigated at press time, according to a spokeswoman from the attorney general's office in San Diego, but the company has not violated any laws regarding the sale of travel, she said, or ARC/IATAN rules.

In discussing another independent network, Ruden said that as long as these types of companies operate within the bounds of the law, they are not confined by the ethical tenets, which vary from agent to agent. "They are becoming a fact of life," he said.

The great hew and cry about these companies reflects an industry in flux, with retail sales clout shifting from mainstream agencies to hub agencies selling through hundreds of outside sales people, industry analysts said.

Anolik and Ruden both stressed that retailers and industry associations seeking to obstruct these new companies could face antitrust suits.

Growing Segment

World View is one of more than a dozen such companies to use so-called instant agents as outside sales representatives. While some firms have popped up recently, others have been around for half a decade.

It is difficult to lump all independent travel agency networks into a single category because of differences in structure and operation. However, the companies tend to fall into three categories, loosely

defined here as the good, the bad and the ugly.

The first group basically delivers what it promises, and doesn't promise the sky.

Travel Business Investments of Escondido, Calif., for example, is a well-established company whose owner, Tom Ogg, has worked in the

on their combined productivity. The company recruits and trains about two people per month as affiliates, Ogg said.

Holiday Marketing of Herndon, Va., recently launched Ultimate Vacations, a multilevel marketing division that relies on an outside sales force. For \$99, Ultimate Vacations will equip "eager sales people to sell travel from their home or work," according to the company's vice president, Rick Moran.

Ultimate does not offer travel agent ID cards with its training materials, Moran said, but it does provide personalized business cards, operations and marketing manuals, videotapes and destination catalogs. Ultimate Vacations sales people also can take cruise fairs at discounted rates.

Perhaps the most distinctive element of the program is that representatives can move up the sales ranks through an incentive structure very similar to those offered by established in-home businesses such as Amway or Mary Kay Cosmetics.

For example, new representatives start at the bronze level, earning 3% commission, and move up to the silver level after selling \$50,000 worth of travel in a 12-month period. At the silver level they earn 4% commission and at the gold level they earn 5% commission. They also earn commission on sales made by representatives they recruit, Moran said.

The companies generally considered bad are those that have run afoul of state consumer protection laws and ARC/IATAN rules governing ticket sales. According to Anolik, they are companies "that cannot deliver what they promise."

One company, RST's Travel Partners, in late spring placed advertisements in trade and consumer

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'They are becoming a fact of life.'

travel industry since the early 1970s. The author of *How to Buy or Sell a Travel Agency*, Ogg employs nearly 150 outside sales people and an inside operations staff composed of workers with 14 years or more of experience.

"Our affiliates go into clients' homes with notebook computers and sophisticated reservations software, travel videos and brochures," Ogg said. "They actively market and sell a narrow list of preferred suppliers."

According to Ogg, the company recruits beginners but relies on experienced outside sales agents who are looking for a support network through which to sell travel. New agents are hired only if they graduate from a reputable travel school; no one pays a fee for an ID card.

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Independent Networks Vary

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publications promising to set up full-service travel agencies for \$795. Travel Partners claimed to offer commissions of up to 50% as well as agent discounts of up to 50%. The company closed down in November without delivering any of the advertised services, according to reports received by the San Diego district attorney.

Among Travel Partners' customers was an investment management organization in Florida that offered the instant-agent program to its clients. The organization eventually dropped the operation because of "fraudulent claims" made by Travel Partners representatives, a source said.

Travel Pros of Tampa, Fla., exacted a \$13,500 fee from a would-be agent to set up a full-service travel agency.

After receiving payment, Travel Pros merely had a satellite ticket printer installed in the client's residence and told him that the ARC and IATAN would recognize him as a fully appointed agent. However, according to ARC guidelines, STPs can only be used to deliver tickets and do not qualify users as ARC/IATAN agents.

An IATAN representative inspected the STP site and declared the operation invalid because it did not conform to ARC or IATAN rules dictating that travel agents "will not misrepresent to the public that the satellite location is other than a ticket delivery location."

The ugly companies, probably the fastest growing segment of the independent-agent industry, are defined as such because they are the most vilified by full-time agents. While such companies may indeed sell travel, they feverishly pitch the travel perks of being a retailer without offering substantive training or follow-up support services.

They also tend to be light on operations staff and heavy on promotions people who hype overpriced training materials or ID cards. In short, these types of companies are "legal but misleading" about what they can deliver, Bessel said. Many also are members of ASTA, CLIA and other trade groups.

World View is the most notorious in the west, but among the others in this category are Travel Connection International, El Segundo, Calif.; Avion Travel, La Jolla, Calif.; and the Haina Group of Hawaii.

TCI is a multilevel sales organization that touts discounts of up to

75% on airlines, 80% on cruise lines and 50% on hotels and car rentals available with its "official ID card," which costs \$499.95. New affiliates "make sales" by referring travel clients to company parent Bon Vivant Travel.

The company also pushes a marketing plan that allows representatives to earn up to 60% in commissions, even with "no products to sell, store or ship." Under the marketing plan, TCI representatives can earn commissions on sales made by others, based on referrals.

Avion Travel says it can turn anyone into a freelance travel agent — for a fee. The company also uses travel discounts as a carrot to lure sales people.

The Haina Group has rankled travel professionals for years with its own-your-own business package, priced at more than \$1000. However, Haina merely sets up customers as outside sales agents and handles the bookings. Similar to Travel Pros, Haina reportedly implies that an STP installation at the home or office legitimizes the instant-agency operation.

Other companies that have attracted the attention of the full-time retail community include the five-year-old International Travel Agents Assn. of America in Rochester, N.Y.; Eagle Travel of Crossville, Tenn.; WorldPro Travel of Shalimar, Fla.; Travel Specialists Network in Washington, D.C.; and Solid Gold Travel in Lehigh Valley, Pa.

In an earlier story about ITAA's westward expansion, *TA-West* quoted an agent who stated, erroneously, that the company was not a member of ASTA. In fact, ITAA is an allied member. However, the firm, like the Haina Group, indicates it can set up novices in their own travel agency when, in fact, ITAA merely charges clients \$2870 to become outside travel agents for one of ITAA's full-service member agencies. The fee covers training materials, access to a preferred supplier list and other benefits.

ITAA has made some headway in the industry, although it recently became the target of a New York State Attorney General's Office investigation.

A spokesman from the attorney general's office in Rochester said his office requested ITAA's refund records last month, after receiving numerous complaints about the organization's money-back guarantee from dissatisfied customers.

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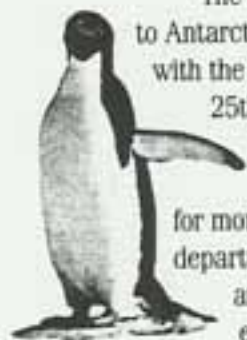
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