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[OWNERS RETAIN CONTROL]

Tralliance is sold; Dot-travel domain now privately held

By Dan Luzadder

Tralliance, the company that controls the dot-travel domain, has been taken private, removing its finances and activities from the scrutiny of public markets.

Until now, Tralliance, the official registry of dot-travel addresses, has been a publicly traded subsidiary of TheGlobe.com, which in turn is publicly traded over the counter.

On Feb. 1, TheGlobe.com announced that it had sold Tralliance to the Registry Management Co., a privately held enterprise.

However, the sale did not change the ultimate ownership or control of the company by travel industry entrepreneur Mike Egan, owner and chairman of TheGlobe.com, and his financial partner, Ed Cespedes, the president of Tralliance, who together own RMC.

"We're doing this for efficiency reasons," Cespedes said of the sale. "Let's face it: It costs a lot of money to keep Tralliance as a public company. It's money that could be spent in promoting the dot-travel domain instead."

The sale came close on the heels of significant policy changes at the start of the year that company executives said would allow them to turn the travel-oriented domain from a little-used online marketplace into a major player in the industry.

**'Let's face it:
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as a public company.'**

That process began last fall when Tralliance fired dot-travel's founder, president and promoter, Ron Andruff, and announced that it would treat the dot-travel domain as a for-profit business, rather than as a service to the travel industry. Andruff, who remains a stockholder and who tried unsuccessfully after his dismissal to buy Tralliance, declined to comment last week.

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[FLORIDA INQUIRY TARGETS FUEL SURCHARGES]

Cruise stocks take hit on news of probe

By Johanna Jainchill

Shares of Carnival Corp. and Royal Caribbean Cruises Ltd. tumbled early last week amid investor fears that an investigation by the Florida attorney general's office would put an end to the cruise lines' policies of retroactively adding fuel surcharges to passenger fares.

The investigation was triggered by more than 150 complaints about the surcharges that consumers have filed with the Florida attorney general's office since November.

The question to be decided by the inquiry is whether the charges are legal. Sandi Copes, press secretary for the attorney general's of-

fice, said the agency would review whether the cruise lines can retroactively impose fuel surcharges on passengers — specifically, "whether or not the appropriate disclosures about the surcharges are being made to consumers at the point of sale."

Spurred by record-high fuel costs, most cruise lines began assessing fuel surcharges on all cruise bookings last November. Carnival Corp. started by adding a charge of \$5 per person, per day, on all sailings on its six North American brands. Royal Caribbean Cruises Ltd. and NCL Corp. soon followed suit.

Carnival and RCCL brands applied the surcharge to all sailings that departed on or after Feb. 1, but each major cruise company instituted different policies:

• Carnival brands applied the surcharge to all bookings, even if they had already been

paid in full at the time of the announcement.

• RCCL brands applied it to bookings that See **INQUIRY** on Page 67

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Will new film give Bruges 15 minutes of fame? **P. 59**



British Airways Holidays to cancel agent commissions

By Michelle Baran

Starting April 1, agents will no longer be able to book commissionable British Airways Holidays.

In a Feb. 4 letter to agents, British Airways Holidays, a wholly owned subsidiary of the airline, said it would "no longer be possible for travel agents to book British Airways Holidays products," adding that the company was withdrawing its commission program.

Cancelling its agent program "is basically just a result of us responding to the business changing," said Shauna Sullivan, manager of promotions and British Airways Holidays, North America. "With the advancement of technology, we're moving down this road, which is dynamic packaging."

According to British Airways Holidays,

since 2004, sales from travel agents have declined 67%. Additionally, 61% of U.S. travel agents made only one booking a year, "which indicates a reliance on other suppliers and confirmed our belief that there would be minimal impact of discontinuing the commission program on the travel agency businesses," Sullivan wrote in an e-mail.

British Airways Holidays is not taking new agent bookings for departures after March 31. The packager will, however, continue to allow new bookings for all travel completed by March 31. On April 1, agents will no longer have access to British Airways Holidays' online agent booking site, Bahtravelttrade.com.

The firm said it would honor any existing bookings with travel dates after April 1.



According to Sullivan, British Airways Holidays plans on relaunching BAHolidays.com later this year. The new site will allow travelers to create their own packages, in-

cluding air-inclusive packages, which customers can currently only book with the assistance of a call center representative. British Airways Holidays customer service will be handled from the existing British Airways call center in Jacksonville, Fla.

Additionally, British Airways Holidays will offer a greater selection of suppliers in each of its product categories: hotels, cars, sightseeing and transfers. According to Sullivan, packages will also have a wider price range to attract a broader customer base. In the longer term, she said, British Airways Holidays will look into adding new destinations.

PROBE

Continued from Page 1

had been partially paid for, but not to those already paid in full.

• NCL only applied it to bookings made on or after its announcement.

Copes said the attorney general's office was investigating whether the surcharges might violate Florida's Deceptive and Unfair Trade Practices Act.

In a statement, RCCL said, "We implemented a fuel supplement, which began on Nov. 16, 2007, for sailings that departed on or after Feb. 1, 2008. The supplement did not apply to guests whose cruise fare was paid in full prior to Nov. 16, and we provided all our other guests with a window of time to cancel their sailings with no penalties.

"We think this is a fair and reasonable response to the problem, and we intend to continue assessing the supplement on a temporary basis and may periodically adjust it as fuel prices fluctuate."

Carnival spokesman Tim Gallagher said, "We believe that our fuel supplement complies with applicable laws, and we are coop-

erating with the review."

David Federbush, a former civil prosecutor with the Federal Trade Commission who practiced in Miami for several years and has written articles on Florida's Deceptive and Unfair Trade Practices Act, cited two possible issues with the surcharges.

"I haven't seen the contract," Federbush said. "But if there was no disclosure that the price might go up in time based on additional energy charges for the cruise lines, there is an argument that this is a charge that was not disclosed to the consumer before purchasing the ticket."

Federbush said case law made it clear that offering passengers a refund did not "cure a deception."

Also at issue is whether the surcharge the lines collect is actually used for fuel. Federbush cited a Florida attorney general's finding in 1997 that the cruise lines were charging consumers "port fees" that were higher than the fees the ports charged the cruise lines. The balance was used to cover the lines' operating expenses for fuel, fresh water and wages.

"The consumer winds up paying the

cruise lines more than the advertised price of the cruise, and that is inherently deceptive," the 1997 decision stated.

Shares of Carnival Corp. and Royal Caribbean Cruises, Ltd. began sinking immediately after the investigation surfaced in news reports on Feb. 4. By Feb. 6, Carnival's shares had dropped almost 9% from the previous Friday's close, to \$40.60 from \$44.40. In the same period, RCCL's shares fell more than 6%, to \$37.33 from \$40.14.

Analysts quickly released notices arguing that even if an attorney general's ruling eventually went against the cruise lines, the potential impact on earnings would be minimal, mostly because the fees being investigated seemed to be only those that were charged retroactively.

UBS equity research analyst Robin Farley estimated that about one-third of the 2008 collections would have been for retroactive bookings.

"Due to elasticity of cruise demand, this surcharge is similar to a price increase in our view and may simply come out of ticket prices," she said, adding that there would be little impact on earnings per share. "But

clearly any surcharge that could be passed along provides upside."

Tim Conder, a senior analyst with Wachovia capital markets, said that one fact playing to the cruise industry's favor was that fuel surcharges have become more common in a number of industries, including airlines, rental cars and delivery services. He also noted that the 1997 settlement focused on inadequate disclosure to consumers of various fees wrapped as "port charges." The fuel surcharges, he argued, were identified as just that.

Conder noted that Carnival had disclosed knowledge of the investigation in a filing with the Securities and Exchange Commission on Jan. 29. RCCL told Travel Weekly that it was aware of the attorney general's review at the time of its earnings call on Jan. 30 and took that into consideration with its forward guidance.

Copes said that the attorney general's office was reviewing the consumer complaints in an attempt to determine whether they could be substantiated. She said the office would not speculate as to when the review will be completed.



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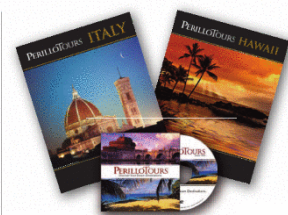
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