

Mr. BROYHILL. But you acknowledged that in some cases you favor foreign carriers and you explained to me why.

Mr. GRIMES. I tried to explain why, to start off with.

Of course you understand as an association I cannot say we have to use only one airline. I am sure you can understand that.

Mr. BROYHILL. Is there any arrangement in addition to a 7-percent commission that is ever made, let us say with a travel agent by the foreign carriers other than package deals? You mentioned a package a moment ago that carries a 10-percent commission, but are there other ways of getting around this 7-percent commission where an agent is, not illegally, maybe, but getting a little more than the 7-percent commission from a foreign carrier when he would not get more from an American carrier?

I could say "under the table," but that is a little strong.

Mr. GRIMES. It has been reported in the press that several occurrences like that did occur.

Mr. BROYHILL. It does occur?

Mr. GRIMES. Well, as I said, it has been reported in the press that they did occur.

Mr. BROYHILL. On these package arrangements, why do you get more? Is that because the carriers themselves are getting less or because the hotels are figuring into the picture? You do get commission from hotels, do you not?

Mr. LOFRISCO. Yes, that is correct.

Mr. BROYHILL. Do you get a commission from domestic hotels?

Mr. LOFRISCO. Yes. The thinking behind the airlines giving a higher commission, as I understand it, is that they want to encourage travel agents to sell strictly tourism and leave the commercial point to point sales to them so that they do not have to pay a commission. The thinking behind it is that a travel agent should go out and create travel rather than merely act as a ticketing agent. So this is an incentive, presumably, for the travel agents to create travel.

Mr. BROYHILL. Does the traveler get a better buy in a package than he would buying separately?

Mr. LOFRISCO. Yes.

Mr. BROYHILL. The airline is actually selling the ticket for less and giving you a greater commission at the same time?

Mr. GRIMES. No; the airlines cannot sell the ticket for less. On the land portion they can give a higher commission, on the land portion which they themselves set up; yes, they can.

Mr. LOFRISCO. The tourist in buying a package will undoubtedly be able to buy each individual service cheaper in the package than he would if he went out to each individual hotel and purchased the services, himself, because of the greater buying power that the package or tour has.

In addition of course the excursion fares or the tourist fares are usually lower. There is a 14-to-21 day excursion fare to Europe that is substantially lower than the usual point to point ticket to Europe.

Mr. BROYHILL. He is not actually getting a better rate by buying a package. It is just by coincidence that you have more buying power. There is no discount being given to the tourist.

Mr. LOFRISCO. Yes; the tour-basing fare, of course, you do.