

WRITTEN TESTIMONY OF WILLIAM J. MCGEE
Consumers Union
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My name is William J. McGee and I am the Editor of Consumer Reports Travel Letter and the Travel Editor of Consumer Reports Magazine. Both are published by Consumers Union, a nonprofit independent organization founded in 1936. No CU publication accepts outside advertising or is beholden to any commercial interest. CRTL does not engage in marketing relationships of any kind with outside travel companies; CRTL accepts no free trips or gifts; and nothing published in CRTL may be used in advertising or for any other commercial purpose. I very much appreciate the opportunity to submit comments to the National Commission to Ensure Consumer Information and Choice in the Airline Industry.

The June 2002 issue of CRTL includes the feature story, "Travel Web Sites: You Still Need to Compare." This story reflects the extensive testing CRTL and Consumer WebWatch recently conducted of the six largest integrated travel web sites: Cheap Tickets, Expedia, OneTravel, Orbitz, TravelNow, and Travelocity. Copies of this story are included with this testimony.

This testing built upon the earlier research CRTL conducted into travel purchasing: an examination of four integrated travel web sites (Cheap Tickets, Expedia, Lowestfare, and Travelocity) in Oct. 2000 and an examination of travel agents in June 2001. Copies of these stories are also included with this testimony.

In conducting research into travel distribution, CRTL has called upon the full resources of Consumers Union, including the Research, Statistics, Survey, Fact-Checking, and Legal departments. To our knowledge, no other independent and unbiased organization has conducted testing of integrated travel web sites or travel agencies that has been as extensive, in-depth, and repetitive as the testing conducted by CRTL.

For the June 2002 study, CRTL conducted nine coordinated tests of 10 routes, at various times of the day and week. Each web site was queried 90 times, for a total of 540 queries. Consumers Union's Statistics staff confirmed that this was a valid sampling. In addition, CRTL benchmarked all three of its travel distribution examinations by conducting identical and simultaneous tests in a computer reservations system operated by an outside consultant, New York-based Harrell Associates. This was done because computer reservations systems in the U.S. are regulated under U.S. Department of Transportation rules.

CRTL has undertaken these studies because purchasing travel products has become extremely confusing for consumers in recent years. In fact, we believe that selecting the buying process is often more confusing than selecting the travel product itself. Airlines and other travel suppliers distribute their products through a broad variety of channels, including branded ticket offices, joint ticket offices, reservations centers, travel agencies, computer reservations systems, branded web sites, integrated web sites, and opaque web sites. In addition, each of these channels includes myriad fee structures and in some cases supplier incentives, and a variety of charge-card companies and other third parties.

At all times, CRTL's interest rests squarely with the consumer. However, it's clear that the interest of the consumer is consistent with one of the twin mandates of the Commission: to determine whether there are impediments to the distribution of schedule and fare information to the traveling public. Our examinations have raised serious questions about such impediments.

In Oct. 2000, CRTL cited "disturbing evidence" of bias in the integrated travel web sites. In June 2002, CRTL stated, "It is fair to say that—even overlooking the issue of ownership—the relationships between web sites and their airline advertising and marketing partners have raised reasonable doubts in both our [web site] studies."

Among the compelling questions we have raised:

- Why did these integrated travel web sites offer such broadly different flights and fares as their first offerings when we submitted identical, real-time queries for the lowest fares on busy, competitive domestic routes?
- Why did these integrated travel web sites so often NOT offer lowest fares that were equal to or lower than the fares offered by a regulated computer reservations system, particularly since most of these sites are powered by CRSs? For example, in our June 2002 study, this percentage of not meeting or beating the CRS ranged from 22% (Expedia) to 76% (OneTravel).
- What promises are made by these integrated travel web sites to airlines and other travel suppliers as part of marketing and incentive agreements? More importantly, how do such agreements affect the listing of flights and fares?
- Since the major U.S. airlines have drastically reduced their commission expenses, isn't it reasonable to assume that they would not pay any incentive commissions to integrated travel web sites unless they expected an increase in bookings? If the

integrated travel web sites list all flights and fares in a fair and consistent manner, why are such incentives necessary?

- Why are the first-listed lowest fares offered by these integrated travel web sites often coupled with “non-viable” itineraries without offering a price advantage as well, when competing web sites and the computer reservations system are able to provide both?
- In our June 2002 study, when the computer reservations system offered a first-listed lowest fare from a small airline, why did Orbitz offer a higher fare 61% of the time (and the other five sites 5% to 50% of the time)?
- In our Oct. 2000 study, why did the featured airline (a paid advertiser) dominate other listings on Travelocity?
- Are some consumers rightly confused between paid advertising—including featured airlines and banner ads—and integrated displays of flights and fares in the integrated travel web sites?
- How are consumers to understand that a “web-only” fare is exclusive to that specific integrated travel web site, or more specifically to that city, flight, or departure time?

The more closely we examine integrated travel web sites, the more perplexed we are by the quality of the flight and fare information offered by these systems. Clearly there are great bargains to be had in these sites. But it’s equally clear that there is little order in their integrated displays, and that consumers are not always assured of receiving complete and honest responses to all queries.