

NEWS RELEASE

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Commission Report:

COMMISSION ANNOUNCES FINDINGS ON IMPACT OF CHANGES IN AIRLINE TICKET DISTRIBUTION SYSTEM ON AGENTS AND CONSUMERS

Washington, D.C. November 13, 2001 – Consumers have benefited greatly from changes in the travel distribution system, particularly the Internet, but many travel agents have been adversely affected, a government commission said today.

The National Commission to Ensure Consumer Information and Choice in the Airline Industry, established by Congress in 2000, made its finding after six months of careful deliberations. The Commission was charged by Congress to investigate the financial condition of travel agents and the impact of their problems on consumers. It was also required to determine whether there are impediments to the distribution of travel information to the traveling public.

The report found that the travel agency industry has been severely impacted by the events of the last several years. According to the Commission, since a peak of 24,000 travel agencies in 1994, more than a third have disappeared. The report said a number of factors contributed to the decline of travel agents, including the elimination of airline commissions, migration of travel purchasers to the Internet, the airlines' strategy of encouraging travelers to bypass agents, and sharp reductions in travel spending tied to the recession and post-9/11 environment.

The Commission found, however, that the decline in travel agents did not have an adverse impact on consumers because the Internet gives them more access to travel information than they ever had before. For the same reason, the Commission also found that, even with the reduction in travel agents, there were no impediments for consumers in obtaining travel information. David Winstead, Chairman of the Commission, stated that “Certainly, while thousands of consumers were inconvenienced with the reduction in travel agents, they still have ample sources of information.” Winstead also noted that “the Commission was seriously concerned with the financial health of the travel agency industry, but we were unable to recommend new legislation or regulations that would reverse the trend toward industry consolidation.”

The Commission did make several findings about the continued importance of travel agents. These included findings that the survival of travel agents to provide an independent source of travel information is important to protect consumers; that the Internet does not always produce better results than traditional travel agents; and that the refusal of airlines to make web fares available to agents through CRS’s is an impediment to efficient operation of agencies.

However, the Commission did not support mandating that web fares be made available to all travel intermediaries. It believed that, if airlines did not retain flexibility in choosing distribution channels, they might withdraw some web fares altogether. “Doing that would harm consumers more than it would help agents,” said Winstead.

The Commission noted that there were several major developments during the course of the Commission’s existence that demonstrated the dynamic nature of the industry and suggested that improved agent access to web fares would ultimately be achieved in the marketplace. It learned about third party web search tools that enabled agents to search airline web sites concurrently, rather than consecutively, and expressed concern about the efforts of some airlines to block access of such software to their web fares. It believed that, if airlines publish fares beyond their own individual sites, they

should be available to consumers through modern technology, so long as it does not impose an undue burden on carrier systems.

Though the Commission stopped short of recommending legislation or regulation, it did have concerns related to the online agent Orbitz, which is owned by the five largest airlines. The Commission recommended that the government immediately consider whether Orbitz should be allowed to maintain contract clauses that allegedly keep airlines from offering web fares to other agents. These most-favored-nation and marketing incentive clauses were strongly criticized by travel agents, CRSs, and online agency competitors. The Commission urges that the Departments of Justice and Transportation move forward expeditiously to conclude their investigations of these claims.

The nine-person Commission also recommended the following actions that could help agents do business more efficiently:

(1) Agents should be protected from the arbitrary action of airlines in debit memo disputes. This should be done by amending and strengthening the Travel Agent Arbitrator program so that it can adjudicate disputed debit memo claims. The arbitrator could serve as the neutral party so clearly needed to relieve this burden.

(2) The industry should provide travel agents a special box on tickets to include their service fee charges. The Commission believes that feature would be more efficient for agents, and would provide consumers with better information on the elements comprising their ticket purchases.

The Commission also proposed that, to ensure that Congress stays abreast of developments in this area, DOT should be required to report to Congress every two years on distribution issues.

While traditional travel agents have lost market share to online purchasing, the Commission said, expert advice from travel advisors will remain a vital service in the marketplace. Still, the government must be vigilant to ensure that the services of travel agents remain available to consumers. It must also ensure that future changes in

distribution do not deprive consumers of the benefits they have already received from the development of the Internet.

“Our study suggests that, overall, the travel agency industry will survive,” said Winstead, “and consumers will continue to need the services and advice of travel experts.”

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The Commission’s report and the testimony presented to the Commission is available on the Commission’s web site, www.ncecic.dot.gov.