TRAVEL AGENTS ACCESS TO AIRLINE FARES

A Research Report Prepared for the

National Commission to Ensure Consumer Information and Choice in the Airline Industry

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Travel Agents Access to Airline Fares

1. OVERVIEW OF THE SITUATION

Travel agents provide their customers with information and advice, make reservations, provide tickets, and other ancillary services. Their services include making reservations on airlines, hotels, car rentals, cruises, tours and other events. Travel agents make approximately 70% of all airline reservations. This report focuses on the agent's relationship with airlines and the fares airlines display in automated systems.

Airline fares often confuse and frustrate customers and travel agents. The price for a seat paid by one individual may be ten times more than that paid by the person next to him. This is primarily the result of two factors:

- Airline seats are extremely perishable; when the aircraft door closes, an empty seat is lost forever. Any revenue the airline receives for what would be an empty seat, that offsets the direct cost of carrying an additional passenger, will add to profitability. When empty seats are expected on a future flight, as determined by their revenue management system, an airline may price them very low.
- Airlines sell a commodity product in the coach cabin of the aircraft.
 Pricing is based on the price sensitivities of different types of prospective passengers. The differentiation is given form by governing rules, such as an advance purchase and duration of stay requirements.

Airline fares were deregulated in 1983 and airlines have been able to charge whatever price they wanted since then. The procedure has been to provide the global distribution systems (GDSs)¹ with fares that would be sold to the public. Negotiated fares, for consolidators, corporations and tour operators would be distributed privately. In 1996, web fares were made available. Individuals who signed up with an airline were emailed information on deeply discounted fares would be announced weekly. These fares were designed to unload seats on routes that had low load factors. Over time, carriers also began offering reservations capability on the Internet and offered lower fares or other inducements such as bonus frequent flyer miles in order to get passengers to book online. When a passenger books online, there are no travel agent commissions or CRS fees.

In order to service their customers travel agents need access to information on airline schedules, the availability of seats at various fare levels and the fares and rules that apply. Since the late 1970's travel agents in the US have

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¹ Global distribution systems are also called computer reservations systems (CRSs). The terms are used interchangeably in this report.

relied on the GDSs. The GDSs show the "published" fares, which are available to the public, on virtually every airline in the world.

However, the GDS's:

- Do not show, as part of their normal offering, the fares that airlines have made available at their own websites for visitors to those sites.
- Do not show fares that airlines have given to consolidators², tour operators and other intermediaries for resale.
- Do not show fares given to Priceline.com and Hotwire.com, bid based systems.
- Do contain fares negotiated with corporations, governments³, and other organizations. However, these negotiated fares are visible only to the travel agents and employees of the organization who has negotiated them. Only members of that organization may use them.

The issue that frustrates travel agents, business travelers and personal consumers is the difference between the fares shown in the GDS and those available on the web. The web fares are often lower than the published fares available on the GDSs. While these fares are not necessarily the lowest fares offered they are visible which makes them desirable.

Travel agents are frequently frustrated when trying access fares directly from a website, for the following reasons:

- To complete a transaction a credit card needs to be used. This creates a potential cost to the agent when they have to use their own credit card for payment.
- The web fares that would be lower than those in a GDS are highly restricted in their use and non-refundable. This creates a problem when working with business customers.
- They do not have control of the passenger record as they do with GDS transactions.
- As compared with working in GDSs, working on the Internet is time consuming. Web displays typically take longer to sort through and use.
- Invoices may not be consolidated with other client financial records accumulated by the GDS system. ⁴
- The nature of the process creates a poor impression of the travel agent and their capabilities.

² Consolidators play an important role in the distribution of airline product particularly in international markets where "published" fares have traditionally been higher than market fares. They play a limited role in US domestic air transportation.

³ The fares available to US Government employees are discounted 72% according to the GSA and among the lowest available. These fares are published on the Internet.

⁴ Some web systems do have the ability to integrate records into some back office accounting packages.

- There is no CRS booking credit received for web bookings.⁵
- Passenger profiles and other information may need to be created on multiple web sites.

Corporate travelers are frustrated when they are told to save money in what they do and then prohibited by corporate policy from booking lower web fares when available.

Individual travelers are irritated when they purchase a ticket through a travel agent and then find they could have bought a cheaper ticket online.

2. TRAVEL AGENTS ACCESS TO INFORMATION IN THE GLOBAL DISTRIBUTION SYSTEMS (GDSs)

2.1. Relationship with Global Distribution Systems

Travel agents have relied on the GDSs since the end of the 1970's. In 1976 both American and United installed versions of their internal airline reservations systems in a few travel agents offices. Both agents and the airlines found the installation gave them significant benefits. Airlines noticed that sales from these travel agents increased dramatically, because of the bias each airline had in its own reservation system towards its own flights⁶. The agents accepted the bias since the availability of the information in the reservation system gave them the ability to get real time information and to confirm seats to a passenger on the initial call.⁷ This gave the travel agent parity with the airline that provided the system. It also increased their productivity. Prior to automation the agent had to call the airline to book space and did not know if was available until the airline had confirmed it. This booking process could take hours and even days.

Installation of an automated system gave American, United and the agents using their systems a competitive advantage. As other US major airlines realized what was happening they began installing their reservations systems with travel agents. Each airline installed their system in the markets in which they had their greatest concentration of activity. If an airline dominated a city, such as Delta did in Atlanta, it was judicious for an agent to be in that airlines system since the majority of

⁵ Most GDS contracts with agents have a productivity clause in them. When a booking is made it reduces the potential amount that the agent will owe the GDS.

⁶ The owner airlines would show their own flights first, flights were sorted using the two letter carrier code. Other airlines would follow grouped by their two-letter code. The placement of each airline was dependent on how much they paid the system owner to have its flights shown. This was important since studies had shown that 80% of all sales were made from the first screen a travel agent saw. The majority of sales were from the first line on that screen.

⁷ The bias based on the two letter codes is known as 'screen bias'. The concern relates to placement in the order in which information is displayed. Information shown first has a greater chance of being seen and being acted on.

sales would be made on that airline. As a large sales outlet for the airline, the agent would get better service for special requests such as overbookings, upgrades and waitlist clearance. As a result, the airlines that had the largest market share in a city tended to dominate the automation in that city.

While the reservations system contained accurate information on the owner's flights it contained less accurate - or no information - on other airlines. This situation did not satisfy the other airlines or travel agents. The airline reservations system owners began expanding the collection of data from other airlines. They began charging booking fees to those suppliers who wanted to have their schedules shown. The process is known as co-hosting.

As their automation business grew, the airlines needed to provide servicing to the travel agents. They established organizations to meet their needs and branded them for recognition. These organizations were American's Sabre, United's Apollo (now known as Galileo International), Eastern's SystemOne (which is now part of Amadeus), US Air's PACER, TWA's PARS and Delta's DATAS. The latter two have combined into Worldspan.

Over the years, the systems added functionality and participants. The system provided the agent with centralized statistics and the ability to do their own back office accounting. The improved functionality allowed easier usage of the systems and better connectivity between the GDS and airline. This improved connectivity allows real time access too many airlines and improves the quality of the information. The number of participating suppliers, airlines, hotels and car rental agencies increased offering greater sales opportunities. This enhanced the travel agents usefulness and ability to sell air travel.

The booking fee schedule used by the airlines for co-hosting was arbitrary. New entrant airlines paid more than the established carriers did. This and other perceived problems led to complaints to the Civil Aeronautics Board. The Board established a series of rules that required booking fees be the same for all carriers using a system. They also prohibited much of the bias in the systems that favored their owners. These rules, established in 1984 and subsequent ones issued in 1992, eliminated most of the advantage the airline owners had in providing a system. As this advantage disappeared so did the reasons for an airline to own the system.

With the advent of airline deregulation beginning in 1978 airlines could change their fares and schedules frequently. There was an explosion of information that required automation. Automation by a GDS became the

only way a travel agent could do business. The GDS systems gave travel agents the ability to become the purveyors of all the information available regarding airlines. The GDSs and the travel agents became mutually dependent. Until the late 1990s, the two groups were almost totally dependent on each other. The GDSs by establishing consumer web sites such as Travelocity have moved into the broader Internet market.

At this time there are four GDSs operating in the country. Sabre, established by American, is now a publicly owned company. Apollo, also known as Galileo International, was founded by United and is now owned by Cendant Corporation. Delta (40%), Northwest (34%) and American (26%) own Worldspan. Air France, Lufthansa and Iberia effectively control Amadeus, which is headquartered in Spain. It is moving towards becoming a public company.

Travel agents sell approximately 70% of airline seats, which is down from over 80% a few years ago. GDS collect a fee of about \$4.30 on average from the airline for each segment sold.⁸ These segment fees are the primary source of revenue for the GDSs.

2.2 Types of travel agents (size, corporate, leisure, mixed)

There were 26,346 retail travel agents in the US at the end of May 2002. They are differentiated by the type of market they cater to and by size.

- The largest agents in terms of volume (American Express, Carlson Wagonlit, Navigant, etc.) focus on corporate travel. They cater to large organizations and assist them in a number of ways such as developing travel policies and supplier agreements; summarizing travel information by individual, department and in total; and providing other reports. They provide 24-hour service for travelers with problems. The largest of these companies have their own IT development and processing organizations that provide services that extend beyond what the GDSs offer.
- Medium size agents are often service a blend of corporate and personal business. Small agents tend to be leisure oriented. These agents occupy niches such as ethnic groups, tours, cruises, or focus on destinations that give them a value in the market place. Their specialty makes them more or less dependent on having the most accurate and up-to-date fares.

airline.

⁸ A segment consists of one person on a one-way journey. Two people traveling together on a roundtrip would constitute four segments. There are about 2.5 segments on an individuals average trip. Fees vary by GDS but are all in the same range. They also vary by level of connectivity between the GDS and the

2.3 Information provided by GDSs

GDSs have contracts with both service providers, such as airlines, known as participating carrier agreements. They also have contracts with travel agents known as subscriber agreements.

Since the adoption of the CRS Rules in 1984, the GDSs have been neutral repositories of information feed to them by suppliers on schedules, availability and fares. They rely on information exchanges with the airline reservations system for availability. They transmit the sales made by travel agents to the airline systems and keep a record of those sales so that each travel agent can access what he has done. A substantial part of their utility to the travel agent was the fact that they provided almost all the agent needed to service his customers in a single resource.

In order to provide current and consistent information procedures have been established which govern how airlines provide information to the GDSs.⁹

- Airlines provide schedule information to the Official Airline Guide (OAG) and some airlines send directly to the GDSs. The GDS draw schedule information from the OAG several times a week.
- They provide published and negotiated fare information to the Airline Tariff Publishing Corporation (ATPCO)¹⁰. The GDSs download new information from them as often as five times a day. On a typical day there will be more than two million fare changes made. The GDSs contain more than four billion basic and constructed fares in their files.
- Airlines send availability status messages (AVS) to the GDSs and partner airlines. The status message will indicate when a particular fare type is open or closed for sale.¹¹ There are different methods and formats of communicating this information. The largest airlines use what is almost a real time exchange of information for the last several seats available. At the other extreme, an airline may only send a single message telling the GDS not to sell any more seats on an individual flight. GDSs retain that information and use it as the basis for not allowing any additional sales on that flight. Since most agents exclude a closed fare class when searching for an available seat this

information from them.

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⁹ There are exceptions to these procedures but this is the primary method of distributing this information. ¹⁰ Some international airlines provide their fare information to SITA and the GDSs will draw the

¹¹ While most aircraft have two or three physical cabins (first, business, economy) they have many more fare classes. The availability of a fare is based upon seats available in that fare class, not in the cabin. Most GDS can accommodate 26 classes of service the majority of which will be in the economy cabin. Airlines generally display eight or fewer fare classes on a travel agents screen.

information has a significant impact on the fares displayed. Lack of synchronization in closed fare classes is one of the major reasons that different web sites and GDSs will have different availability for a fare type.

A few airlines, most notably Southwest, do not file their fare information with ATPCO. Southwest files their schedules only with Sabre and they are visible only to Sabre GDS users or at their own Web site. Other airlines file their fares with ATPCO but do not allow everyone to use them. Orbitz for example will show JetBlue schedules and fares but with a notation that the airline must be contacted directly.

A key element of a participating carrier agreement between an airline and a GDS is the level of connectivity. The level of connectivity determines how the GDS and the airline reservations system communicate with each other. At the highest levels of connectivity, there is effectively real-time communication between the airline and the GDS. At the lowest level, an event, such as the closing of a fare class, will trigger a closing message communication to the GDS. The flight will be closed in the GDS even if it remains open in the airline system. The higher the level of connectivity there is between the systems, the greater the level of accuracy of the information. The greater the accuracy the more reliable are the reservations made. GDSs charge more for bookings made at the higher levels of connectivity.

3. TRAVEL AGENTS ACCESS TO WEB FARES

3.1 Overview

Airline fares shown on the web come through different channels. Most of the fares shown will be the same as fares found by travel agents in the GDSs. However, airlines also sell fares directly at their web sites that they do not give to the GDSs. These fares are the most contentious since they are only available at the airline site or at Orbitz. There are also fares that airlines have provided to consolidators who market directly to consumers or through travel agents. The agents get these fares from web sites or by phone; these sites are often not available to the public.

Many types of suppliers offer airline information on the Internet. The major types, showing an example of a site, are:

- o GDSs (Worldspan.com)
- o Airline web sites (aa.com)
- o Online travel agencies (Expedia.com)
- Search engines that examine web sites (Sidestep.com)

- Consolidators (airlineconsolidator.com)
- o Travel agents with online capabilities (rainbowtvl.com)
- Bid based sites (Priceline.com)
- Portals (travel.yahoo.com/)

There are hundreds of web sites providing airline information. Only those recognized as providing a significant tool are discussed.

3.2 Web site characteristics

Each type of supplier has features that distinguish them and the way they operate. This section describes the characteristics that differentiate web sites. These characteristics will be discussed individually by web site. The characteristics are:

- Ownership—Airlines or other parties own the sites. Airline sites attract direct bookings thereby eliminating the need for the airlines to pay travel agency commissions¹², CRS fees and other expenses. Non-airline sites make money by taking a percentage of the transactions cost, advertising, service fees or markups taken on the products sold.
- Information requirements. All sites require the input of travel dates and origin and destination. Most will ask if price or schedule is the most important factor in your selection. Before making a reservation all sites require credit card information. Some sites allow the input of information on passenger preferences for seating and meals and a frequent flyer identification number. Some sites offer to check alternative dates and airports for lower fares.
- Method of operation –the search engines that are described below operate by screen scraping, through an application program interface (API) and in some cases through and electronic data interchange (EDI). In screen scraping the user receives a picture of what was 'on the screen' when it was visited by the search engine. With API and EDI you are working with structured data and if the target system changes their processing you have the option of accepting or requesting a change to your API to include the new data elements or you can continue your business activity with no disruption. If you are screen scraping and the target system makes a change, you have to make a change in your scraping program or your whole capture could be trash. The biggest advantage offered by an API over screen scraping is end user independence.
- Business model the distribution of airline information on the Internet uses traditional and new business models. While most

¹² While most airlines have adopted a zero commission policy, they all still pay agents who move traffic for them. Arrangements are made individually between the two parties.

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sites operate on conventional business, models there are a few who are unique such as Priceline. The models used typically involve brokerage services, advertising, and merchant or manufacturer models. Often there is a combination of models used in the generation of revenue.

- The functionality provided to the user there are differences in the underlying applications and how that affects the collection of data and in terms of the ability provided to the user.
- Sources of information most rely on airline web sites or GDS systems. There are variations such as including the use of consolidators.
- The level of transparency in the information provided to the customer about the supplier, departure time or fare rules prior to purchase.

3.2 Description of companies that provide access to web fares

3.2.1 GDS s

GDSs communicate with travel agents through their own communications networks as well as through leased ones. They provide information collected from the OAG, ATPCO and the airlines. The GDSs also allow agents to access to the Internet. The GDSs do not have the airline web fares or consolidator fares as part of their standard offering. They are in the process of assisting agents find lower fares on the web by developing their own software applications or by using third party software to do this. A description of what each GDS is doing follows. The GDSs would like to have access to airline web fares through ATPCO so that they could be displayed and fully integrated into their other pricing offerings. So far, America West is the only airline that makes it web fares available.

In the preparation of this report each of the GDSs was asked a series of questions. The questionnaire is shown as Attachment 1, Attachments 2, 3, 4 and 5 show Amadeus's, Galileo's, Sabre's and Worldspan's responses.

3.3.1.1 Amadeus

- Amadeus is introducing the ability to display and book fares not stored in the Amadeus Central System through corporate and agency channels. This will be done through the integration of third party web search tools within our corporate booking engine (e-Travel Aergo) and through our agency portal product (AgentNet).
- Such facility will be charged by Amadeus to the channel customer (agency or corporate).

- Bookings will be performed within the airline web sites or online travel agents selected by the third party web search tool. In order to avoid any interference or confusion by end-users with Amadeus own booking, pricing and ticketing rules, such bookings will not be copied or mirrored within the Amadeus PNR (passenger name record – the generic record containing passenger itineraries) nor within the Amadeus Interface Record (AIR - used to transfer data to third party systems like agency back-office, corporate ERP).
- As a result, no booking fee will be charged to the airlines, and the agency will not receive booking credits (incentives)
- The first release of web fares will be provided by e-Travel, within the corporate self-booking tools (Aergo), starting in September 2002.

3.3.1.2 Apollo/Galileo

- O Galileo is conducting tests to determine whether it should integrate one or more of the third party Internet software products into its GDS service for travel agents. They are currently in pilot tests with two such providers. The hardware will be the agents' current GDS hardware. These pilots will be evaluated for another 30-60 days. If modifications are found to be necessary they would be made and beta tested. Implementation would occur after that was finished.
- The training session for one of these software products is estimated to be a one and one-half hour training module on the web.
- Galileo has not finalized its policy regarding booking credits.
- Galileo has not finalized its policy regarding charges to agents using third party software.

3.3.1.3 Sabre

- Sabre is currently testing a web application that they expect to have available in the third guarter of 2002.
- Sabre agents will be using a web based application and will input the origin and destination information, preferred date and time, class of service and the airlines to search in a Web based input screen (similar to any airline web site) to initiate a search. Training requirements will be minimal.
- The response (including both Sabre host and web fares) is formatted in HTML and displayed to the user in his/her browser.
 The presentation is handled by eVoya (Sabre's web based application)
- o The web fares will be queried through a service (called an

aggregator) that goes out and searches the airlines websites for information on the search parameters requested by the agent. The results will then be displayed along with the fares from the Sabre system in one page.

- The agency will not get credit for the booking made on the airline web site.
- Sabre is planning to charge a fee for booking made on airline web sites, the amount of the charge is still being determined.
- On July 18 Sabre announced its new Corporate Connect pricing program for agents and corporations. Agents who choose this program will forgo booking fee incentives on the airline(s) they designate. The airline gets a 50% lower booking fee for bookings made through Sabre's GetThere tool by the corporations that agent serves.

3.3.1.4 Worldspan

- Web fares are currently available through a proprietary product that allows an agent to view information from multiple web sites. They estimate that about 25% of available web fares can be found. Familiar entries are used to access this information. Web-based fares are returned along with an indication of their source.
- They are working with airlines to have them file fares with ATPCO so that they can be incorporated into all responses.
 Standard entries will be used when this is available.
- Existing hardware and communications are all that is necessary now or when fares are made available through ATPCO.
- Both current and future products are intuitive and do not require additional training.
- They currently access fares directly from the airlines' websites.
 If airlines file their fares with ATPCO Worldspan picks them up in the normal ATPCO downloads.
- Worldspan gives booking credits only when they receive a booking fee from the airline. There is no fee being paid now.
- Currently the service is free to the agents. Worldspan's policy is under review and they may charge in the future.

3.3.2 Airline web sites (aa.com, continental.com, etc.)

- o Owner all major airlines have their own web sites.
- Method of operation all sites ask for the city-pair and dates of travel and class of service desired. Most sites allow one-way and open-jaw trips to be constructed. The airline sites allow the selection of classes of service and offer the same types of fares

with the same rules offered by a travel agent using a GDS. They will also have their own special web fares that have not been filed with ATPCO for use in the GDSs. All sites require credit card information to complete a sale.

- Business model manufacturer model. The cost of a web sale is lower than sales by their own reservations agents and travel agents using a GDS. The cost saving averages about \$10 as compared with a sale at an online agency and is a few dollars lower per sale than an internal reservations call center.
- Significant functional abilities –varies by airline. All have the ability to display their inventory and fares and most offer the ability to redeem frequent flyer reward miles, get upgrades, seat selection, lounge entry and some offer automated check-in and wireless notification of changes in flight status. Their functionality is richer as it relates to their own operations than any other site. Several offer weekly specials by email to people who have subscribed online.
- Sources of information internal reservations systems.
- Information provided –is very transparent, most show code share flights, and some show other airline schedules and fares as well as their own.

3.3.3 Online travel agencies

Online travel agents operate on the Internet without a brick-and-mortar location. They aim towards the leisure traveler but this is changing. Amadeus.net and Trip.com are less well-known online agents.

3.3.3.1 Travelocity

- Owner –Sabre
- Method of operation a robust site offering all types of travel arrangements, last minute deals, travel information. Passenger enters travel plans and Travelocity shows available options in time or price order based on passenger preference. Offer ways to find lower fares by using alternative airports and dates. Allows a reservation to be 'held' for 24 hours.¹³ Have special travel deals and 'last minute' deals. Allows ticketing through a Sabre travel agency.
- Business model –a buy/sell brokerage service. Uses merchant modeling, collects promotional fees, commissions from some suppliers and advertising. Negotiates for special fares that will be available only at its site.
- Significant functional abilities will monitor specific routes a

13 Not all airlines will allow a 24-hour hold. Sabre will hold the flight information on file even if the fares have changed.

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customer has listed and will advise of special fares offered. Has a good deal of destination and other supplementary information.

- Sources of information Sabre GDS, other suppliers.
- nformation provided –transparent except for items sold using the merchant model.

3.3.3.2 Expedia

- Owner USA Networks (was founded by Microsoft)
- Method of operation Lots of features and information, similar to Travelocity, does not have the 'reservations hold' feature.
- Business model a buy/sell fulfillment broker. Makes extensive use of merchant model, moving into corporate market, collects commissions and promotional advertising fees.
- Significant functional abilities has capitalized on the merchant model by negotiating deals that allow air/car/hotel packages to be put together with significant cost savings for customers and large markups for Expedia.
- Sources of information Worldspan is primary source, special deals signed with airlines and other suppliers.
- Information provided transparent except for merchant packages.
- Other information Expedia has become the largest of the online agencies. It has recently acquired a large commercially oriented travel agency in order to enter the corporate travel market.

3.3.3.3 Orbitz

- Owner Owned by five airlines¹⁴ it has 38 airline associates that participate and offer their web fares.
- Method of operation they query airline Web sites and use Worldspan is used as a backup system. Orbitz has indicated they will move to direct connections with suppliers reducing or eliminating the need to have a GDS backup.
- Business model brokerage using a marketplace exchange.
 Orbitz receives a booking fee from airlines and charges a \$5 fee for making a reservation on their founding charter airlines and \$10 on other airlines and for multi-legged flights. Some promotional advertising is an additional source of revenue.
- Significant functional abilities They allow a user the option of selecting airports within 100 miles of origin and destination as a means of finding lower fares. The user can also request the system to look beyond the dates requested by using the "bonus days" option. This looks at days before and after the requested

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¹⁴ American, Continental, Delta, Northwest and United

date to see if lower fares are available. Orbitz uses software from ITA Associates to find and display fare information which is the first item shown on their response screen. The passenger sees prices ranked from lowest to highest and the number of stops on the flights they refer too. The passenger then selects a non-stop, one-stop or multi-stop/connection services and may view a price and schedule options for each selection.

Orbitz has also announced an Orbitz for Business that will search web sites. In addition to providing the airline web fares, the site will allow corporations with negotiated rates to access them as well. It also allows a third party to work as a "travel arranger."

- Sources of information owner and associate airline reservations systems/web sites with a fall back to Worldspan for both availability and pricing. Orbitz has announced that they are looking to become the fifth CRS with a direct connection – which would bypass the older GDSs - to airline reservations systems as the basis for their information.
- Information provided –shows fares of all carriers except Southwest. Shows JetBlue fares but booking must be made with the airline.
- Other items of interest Orbitz has announced that it has signed an agreement with AQUA Software Products¹⁵ to offer direct booking access to Orbitz' Web-based search engine and inventory of low fares. The AQUA product, which has not yet been produced, will allow travel agents to link to Orbitz' database in order to conduct a search. The agent will be able to make the booking on Orbitz without being required to log on separately to the Orbitz site. Orbitz will consolidate the data with the GDS bookings. Many analysts consider the Orbitz method of displaying fares and schedules as the most effective and user friendly.

3.3.4 Search Engines

3.3.4.1 Sidestep

Owner – privately owned

 Method of operation – passenger requests city pair, system searches airline web sites for schedules and fares. When passenger selects it delivers them to that Web site to make the booking. The site often offers bonus frequent flyer miles as an incentive for use.

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¹⁵ Aqua Software is a subsidiary of Navigant International, the second largest travel agency after American Express.

- Business model searches websites for price and availability.
 Delivers the requester to the site where they may directly book trips. Receives a fee for bookings made.
- Significant functional abilities –allows user to download their fare comparison system. Sidestep will then operate in tandem (on a separate screen panel) with the other system the user has chosen for a web fare search. It will provide its responses shortly after the other system has finished. Requires that user be very liberal in what they will accept on their PC in the way of cookies and ActiveX applications.
- Sources of information –searches 130 airline and other supplier web sites.
- Information provided –transparent except from some consolidators

3.3.4.2 FareChase

- Owner Privately owned
- Business model Search agent and booking engine. Licenses its software to other portals such as Orbitz, Sabre and Outtask so users do not have to switch portals to conduct Internet searches. It also provides information to publications.
- Significant functional abilities Licensees can integrate FareChase's software into their system to provide customers with the ability to book Web-based flights, hotels and car rental inventory while still allowing for full customer retention and support by integrating transaction data into existing GDS and back office systems.
- Sources of information airline and other supplier web sites.
- Information provided for requested city-pairs provides availability and fare displays, processes booking at web site. Can keep track of fares searched for future reference.

3.3.4.3 AgentWare

- Owner AgentWare, Inc. is a privately held software company headed by Mr. Les Ottolenghi.
- Method of operation Searches 29 web sites for price and availability. Links directly to the booking page of a web site when a customer is ready to book, and can link into the back office systems for billing or tracking purposes.
- Business model Search agent and booking engine. Charges users a monthly license fee; it also gets a fee from some suppliers

- when a booking takes place. The company has agreements with ASTA and Galileo as a preferred provider.
- Significant functional abilities a Web-based tool for travel agents that searches airline and consolidator Web sites in real time. Use of a consolidator Web site allows the travel agent to mark up the price before advising the consumer of the final price. In international markets this can be a significant advantage. Allows integration of data into some important back office systems. Creates a passive booking in the agents CRS for record keeping.
- Sources of information web sites
- Information provided –what is available on Web sites that are selected

3.3.4.4 QIXO

- Owner privately owned, founded by Daniel Ko.
- Business model –. Search agent and booking engine which makes the reservation. Charges consumer \$5-25 for each reservation.
- Significant functional abilities –agents can access customer information about bookings made on QIXO, can establish their own service fees which are built into the record, can export PNR and billing info to some back office systems such as TRAMS. Accesses information with an API interface.
- Sources of information Searches 23 sites (but not Expedia.com and aa.com for legal reasons).
- o Information provided anything available on the site.

3.3.4.5 TRX

- Owner privately owned
- Business model Search agent and booking engine designed for use by travel agents. Yearly contract with a fee per hit.
- Significant functional abilities automatically launches with low fare searches in a GDS, integrated with GDS, creates a passive booking in GDS for record keeping, integrated with their own back office system.
- Sources of information currently searches ten airline and related web sites. Appears to use an API interface.
- Other the site is still in beta testing, customers expected to come online in August 2002.

3.3.5 Consolidators (e.g. www.favouritetravel.com, www.airlineconsolidator.com)

Owner – privately owned businesses

- Business model operate as brokers or merchants. Contract with airlines for seats at steeply discounted prices and resell with their own markup to agent or passenger. Agents can mark up to what the market will bear.
- Significant functional abilities –basic reservations capabilities
- Sources of information has obtained inventory directly from a limited number of airlines¹⁶. Some will supplement what they have with inventory from a GDS.
- Information provided will often not provide airline name until booking has been made although they will hint at it.
- Types of fares sold –mostly discounted international economy class fares. Some airlines do offer first and business class as well.

3.3.6 Bid based systems

3.3.6.1 Hotwire

- Owner Hotwire is owned by six airlines¹⁷ and the Texas Pacific Group
- Method of operation passenger indicates days and city-pair, willingness to take a "redeye" or multi-stop or connection. Hotwire then makes an offer without providing departure time or airline. The passenger has an hour to buy it. All purchases on Hotwire are final and cannot be changed for any reason. This site uses visible Web fares of the partners and affiliates (8 domestic airlines and 23 international airlines) and even lower fares that have been offered and are not shown elsewhere. The severe limitations put on the purchase of tickets make this site unreliable for most travel agents.
- Business model An auction broker. They receive a fee for each booking; some promotional advertising is an additional source of revenue.
- Significant functional abilities offers some of the lowest fares available.
- Sources of information internal reservations systems;
 Worldspan for non-participating airlines.
- Information provided an airline, departure time and final price.
- Types of fares sold distressed merchandise. No refunds or exchanges. Airlines do not provide information until user

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¹⁶ Most airlines will deal with a small number of consolidators in a country. A few airlines will deal with a large number of consolidators.

¹⁷ America West, American, Continental, Northwest, United and US Airways.

makes reservation and pays for ticket.

3.3.6.2 Priceline

- Owner privately owned
- Method of operation Priceline is a 'submit a bid' site where prospective passengers submit a bid for a round-trip reservation between a pair of cities, on specific dates, with the ability to indicate how many stops they are willing to make, how much they are willing to pay for a flight, exclusive of taxes and charges. If an airline accepts a bid, they charge the passenger's credit card and issue only non-refundable tickets. Neither the departure time nor airline is disclosed until after the purchase is finalized. Priceline either has inventory or routes its requests to the participating airlines who determine at what level they are willing to accept bids. As with Hotwire, this site is unreliable for most travel agents.
- Business model A unique, patented, "name your price" brokerage system. They add a fee to bids that the customers make. Will keep any difference between prices it has obtained from a supplier and what buyers say they are willing to pay.
- o Sources of information airlines reservations systems.
- Information provided after a sale, the airline provide flight number and price.

3.3.7 Travel agents with online capabilities

Often referred to as "click and brick" these sites are owned by retail travel agents who use them to extend the marketing of their business. They include sites from the largest agents like American Express to small local agents. These agencies are usually supported by their GDS and offer the same services as the GDS. Many of them are now specialist in destinations. They offer little or no advantage to other travel agents.

3.3.8 Portals

Portals serve as a point of entry to the web. They usually have a search engine, forums, instant messaging, email and shopping malls. They are among the most widely known and frequently visited sites on the web and include Yahoo, Lycos and AltaVista. Most portals have an agreement with a GDS or online agency to provide their booking services. The portals get a share of any fees collected for a booking but primarily make their money from advertising. They are not a basic source of low fare booking information.

4. Agent problems using alternatives to GDS systems

For travel agents, using web fares will not be as efficient as using their GDS. Problems will arise in a number of areas and the process will be more time consuming.

If an agent decides to use a web fare, he or she has the ability to search each airline web site individually, which is not practical, or use one of the existing online travel agents or search engines. This will take more time than it would to process a normal CRS booking.

- When at the web site the agent must log on as if he were the passenger, entering name, credit card, frequent flyer and other information. This information is on file in the GDSs and is easy to for repetitive use in the GDS.
- One of the main concerns is keeping track of a passenger's record.
 The agent will not be working in his GDS but to keep track of a reservation made on a web site they may make a passive booking in their GDS for recording keeping purposes.¹⁸
- Selecting a web fare will require both training and more time to process.
- Changing a web fare when possible will be very time consuming.
- Keeping track of unused web fares will be difficult and subject to potential economic losses for the customer.

Almost all agents using a GDS have the ability to connect to the Internet using their existing terminals. The problems some will encounter relate to their communications connections and the capabilities of their computer terminals and screens. If their existing equipment cannot support an Internet connection, they will need to have a separate computer terminal that can. These terminals will have response time problems if they are not using a broadband modem.

Travel agents settle their accounts with the airlines through the Airline Reporting Corporation. They also need to keep track of their transactions for corporate clients. Most agents have a back office system, either provided by the GDS, or acquired separately by the agency. These systems record all the reservations made, and the associated charges made with them. Records that are not automatically integrated will need to be manually updated--a time consuming and expensive and potentially inaccurate process.

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¹⁸ A passive booking is one made in a GDS in which the GDS does not send the information on the booking to the airline. Most GDS charge the airline a booking fee when a passive is made.

5. What is likely to happen?

There are a number of strong economic forces in conflict with each other. It is unlikely that any of them will prevail in the near future.

Customers, including business customers, are looking for less expensive travel arrangements. They know low airfares are available with conditions. Recent public statements by major agencies indicate that more than 40% of their clients are booking non-refundable fares. They will continue to put pressure on their agents to get the best deals. This will mean searching more intensively for low web fares.

Airlines are suffering severe economic losses. They will continue to seek ways to reduce their cost. Their CRS fees to cost them two or three hundreds of millions of dollars annually. They will continue to try to bypass the CRSs and travel agents to the extent they can since this is one of the few controllable cost areas.

GDSs will seek to provide the agents with total availability of low web fares. They need the travel agents to survive if they are to maintain their major source of revenue. They will develop ways they can allow agents to seek out web fares from within the present systems. They will apply covert and overt pressure on the airlines to provide their web fares through ATPCO that can be booked as any other fare is booked.

The reasonable outcome would be to have the airlines offer their web fares at two levels: their site price and their marked up price, depending on the channel of distribution. This would allow them to avoid the costs of the GDSs and it will give them broader market exposure. Their marked up price could include other charges such as credit card fees. Their pricing structure should be made public so that it is understandable to all.

Attachment 1

TRANSPORTATION GROUP INTERNATIONAL, LC

Direct phone: (281)-367-0111 Direct fax: (281) 363-2638

June 28, 2002

Mr. Philippe Chérèque - Amadeus

Ms. Flo Lugli – Galileo

Ms. Sue Powers - Worldspan

Mr. Dave Schwarte - Sabre

Dear GDS Executives:

We have been retained by the National Commission to Ensure Consumer Information and Choice in the Airline Industry to provide a report explaining how travel agents use airline fares shown on the web. As you know travel agents have complained that they can not efficiently use web fares because of financial, operational and technical reasons.

In order to develop a complete report we would like to understand how your company plans to make airline web fares available to agents. We would appreciate it if you could answer the following questions.

- 1. How will the search be accomplished by the agent?
 - a. What hardware and communications system will be used?
 - b. Will the agent entries be the same as those used for accessing published fares in your system?
 - c. Will the response to the request be in your typical format or something different?
- 2. How much training do you anticipate will be required by an experienced travel agent? What form will the training take?
- 3. How will the airline fares be accessed by your system?
- 4. Will the agent receive a normal booking credit?
- 5. Will any fees be charged to the travel agent for the service?
- 6. When do you anticipate your system will be fully operational at travel agencies in the United States?
- 7. Approximately what percent of web fares do you estimate will be available to your customers when your system is fully operational?
- 8. Are there other things that the commission should be aware of?

Will you please have responses sent to me at <u>becunningham@earthlink.net</u>. Thank you for your time and help with this.

With warm regards,
Bruce Cunningham
Bruce Cunningham
Managing Director

Attachment 2

PHILIPPE CHEREQUE SENIOR VICE PRESIDENT CORPORATE STRATEGY



Sophia-Antipolis, July 22nd, 2002

Dear Bruce,

Further to our conversation, please find attached a summary of our position and the course of action we are taking at Amadeus regarding Web Fares.

Feel free to get back to us if you have questions.

With best regards

Philippe CHEREQUE Senior Vice President, Corporate Strategy

Background

In general, industry views and opinions regarding Web fares vary greatly, and there are inconsistencies in knowledge, demand and requirements.

- 50% of Travel Managers claim that Web fares affect their ability to manage the corporate program; 25% report that Web fares affect the company's ability to meet volume commitments/thresholds [NBTA, Feb. 2002]; At the same time, companies do not know the complete impact of Web fares on their respective corporate programs (rogue purchasing/line manager approval vs. corporate policy); Majority of companies have independently instituted Web fare booking policies, parameters, and studies (e.g., Web fare 800 hotline, minimum cost savings req.); Not all Travel Managers want to provide access to Web fares.
- When comparing "apples to apples," employees rarely find lower fares on the Web in comparison to negotiated, preferred corporate rates; Most industry and independent studies indicate that Web fares are not consistently lower than negotiated, preferred corporate rates (avg. of 7-10%); Managed travel programs, on average, offer fares \$90 less than Web fares. [Topaz Int.]

Proposed solutions

Principle solution: filing fares in Amadeus

Our approach as a GDS is to encourage the filing of fares within our Fares data base, in order to ensure transparency and consistency to the customer throughout the steps of the booking process, while keeping a proper marketing channel control by the airline providers.

Practically, fare filing through Amadeus provides the following benefits:

- Maintaining a full transparency of search across all published and negotiated fares
- Ensuring the full application of all conditions (e.g. passenger types, dates
 of travel), as well as the exact calculation of taxes, at pricing and at
 ticketing time (e.g. advance purchase)
- Maintaining a proper control of market channels. As fares are attached to Revenue Booking Designators, airlines have the ability to control down to the point of sale to which channels their fares are distributed, through availability control products (seamless availability, POS processing)

We believe such distribution model remains the most cost efficient way for airlines to distribute fares in a controlled way, protecting their revenue optimisation logic.

We nevertheless notice that airlines are limiting the distribution of some of their fares to their own website, or to selected portals (e.g. Orbitz), in order to lower or completely avoid distribution fees (agency commissions, GDS booking fees, industry intermediates fees such as ATPCo).

At the same time, the agency channels are requiring such fares to be made available through their current booking tools, to maintain a proper level of service to their customers (generally agencies are prepared to pay a fee for the GDS to provide such fares – they themselves get a service fee from their customers)

Web Fares in Amadeus : a channel facility

In order to respond to customer demand, we are currently introducing the ability to display and book fares not stored in the Amadeus Central System through corporate and agency channels. This will be done through the integration of third party web fare search tools within our corporate booking engine (e-Travel Aergo) and through our agency portal product (AgentNet).

Such facility will be charged by Amadeus to the channel customer (agency or corporate).

Bookings will be performed within the airline web-sites or OLTAs selected by the third party web search tool. In order to avoid any interference or confusion by end-users with Amadeus own booking, pricing and ticketing rules, such bookings will not be copied or mirrored within the Amadeus PNR (passenger name record – the generic record containing passenger itineraries) nor within the Amadeus Interface Record (AIR - used to transfer data to third party systems like agency back-office, corporate ERP).

As a result, no booking fee will be charged to the airlines, and the agency will not receive booking credits (incentives)

The first release of web fares will be provided by e-Travel, within the corporate self-booking tools (Aergo), starting in September 2002. We do not have a date yet for the agency channel.

Web fares: is this the right answer?

As outlined above, we at Amadeus believe the extension of web fares is a short sighted response to the current airline distribution challenges.

Here are the main problems web fares raise :

Cannibalising high yield

Airlines have traditionally segmented their market and tried to protect high yield market though various differentiation means, mostly through different services and through distinct channels to market.

This is particularly true for business travel, positioned as

- A full service allowing passenger protection (in case of misconnections, reissuance,etc)
- Provided through traditional agents or airline offices, where full customer service can be provided.
- Allowing integrated reporting to the corporate client (for credit card settlement, travel expenses settlement, for accounting)

With web fares exposed indistinctly through the web and accessible by all channels, airlines will erode the revenue airlines are making from these high yield market channels. In the long run, it will become more difficult for them to keep providing such a full service. This is quite disturbing at a time where 1/

airlines are looking desperately to increase their revenues and 2/ customers, especially business travelers and their travel managers, still expect a full service (pre-trip, during and post trip).

Losing channel control and customer touch-points
Airline web-sites have initially been designed for three main objectives

- Support the airline brand and services on-line
- Support the on-line distribution of simple products, including as the case may be selling distressed inventory through special offers
- Acquire customer data (e.g. frequent flyer details, behavior patterns), through CRM applications

With web fares, airlines sites will be increasingly looked at through third party tools using "screen scraping" techniques, which are basically looking at a small portion of the search and booking process - extracting the lowest fares on a given itinerary - and bypassing all other steps within a customer visit such as preferences processing, profile information, etc...Neither the customer profile nor the channel information (agency details, point of sale) are carried through the airline web-site. As a result, airlines will have a very poor visibility on the actual customer behind these automated web fare searches or the channel used to generate the request.

This is clearly going backwards, and conflicting with the heavy investments airlines have made in the CRM area within their web-sites and through integrated distribution channels such as the GDS, to capture and re-use customer information.

Technology limitations

Contrary to the approach taken by GDS, the interaction between airline inventories and web search tools is generally done on a non-cooperative basis, meaning that airlines are generally not aware and do not support such searches on their web-sites.

As a result, the technology used by third party web search tools is based on "screen scraping" of HTML pages, the only method that does not require any agreement by the airline.

This method does not provide any guarantee of stability: a simple field change within any given page of a site may cause the web–fare search from the third party application to abort. Screen scraping does not provide any guarantee of scalability either. If web fares expand significantly, airlines web-sites will be more and more visited by automated fare search tools, requiring massive volumes of fully graphical information to be assembled and presented to such requests, while much more efficient and scalable methods exist, through Application Programming Interfaces (API), or direct connections to the airline inventories (EDIFACT) by the GDS.

Distribution costs? direct channels, GDS fees

Most of the airlines operating their own web-sites have a tendency to either omit their own internal costs in the distribution chain or only partially account for them. This creates bias for this channel versus other distribution channels.

The same goes for OLTAs, where we have no evidence that such channels do

represent lower distribution fees to the airlines, especially when taking into account the generally very high levels of look-to-book, compared to traditional channels.

Nevertheless the rapid development of Low Cost Carriers, and the emerging responses from "full service" carriers calls for the GDS industry to look at distribution fees and find new formulas between service offerings and the corresponding fees. We are convinced that such solutions exist and will enable us to continue providing efficient distribution models for the entire airline offering.

Galileo Response

Via E-Mail

July 26, 2002

Mr. Bruce Cunningham Managing Director Transportation Group International, L.C.

Dear Mr. Cunningham:

As you know, we have been working to respond to your letter of June 28, 2002 relating to the National Commission to Ensure Consumer Information and Choice in the Airline Industry. Disclosed below is the response of Galileo to your letter. For your convenience, we have restated each question followed immediately by our answer.

Questions: In order to develop a complete report we would like to understand how your company plans to make airline web fares available to agents. We would appreciate it if you could answer the following questions.

Question 1: How will the search be accomplished by the agent?

- a. What hardware and communications system will be used?
- b. Will the agent entries be the same as those used for accessing published fares in your system?
- c. Will the response to the request be in your typical format or something different?

Answer 1: Agents have three options:

- 1) Galileo has invested millions of dollars, in response to the demands of the airlines, to build an infrastructure to distribute all types of fares. Therefore, if carriers make fares available, agents already have the capability to access those fares. As a result, if a carrier makes its web fares available as public fares, agents can access those fares in the same manner as they currently access other fares on the GDS. Today, the only airline using the existing industry system to distribute web fares is America West.
- 2) Agents can log-on to travel web sites one at a time and hunt/peck for web/lower fares. If an agent finds a desired fare on a web site and makes a booking, updates to the reservation will be made directly to the passenger to the exclusion of the travel agent. This makes it difficult for a travel agent to properly service its customer. As a result, some agents do not disclose to the web site the fact that an agent is making the booking. In essence, the agency pretends to be the passenger.

- 3) An agent can purchase a third party software license and use the software to scour the Internet looking for lower fares.
 - a) Galileo is conducting tests to determine whether it should integrate one or more of these Internet software products into its GDS service to travel agents. We are currently in pilot tests with two such providers. One provider responds only with the lowest fare per site searched while the second provider's software responds with multiple results for each site searched. The hardware will be the agents' current GDS hardware.
 - b) If there is no booking made, the entries will be the same as those used for accessing published fares in our system. That is, if Galileo implements one or more of these services, for a travel agent that purchases a license from the software provider, the Internet search will be launched during the agent's fare search within the GDS system. The agent must wait for the results of the web search. The results will be displayed on a separate window within the GDS display screen (if the agent's equipment is sufficiently sophisticated). If a desired fare is displayed by the web search software, new keystrokes will be required. Specifically, the agent will be required to click on the desired fare and will be linked out of the GDS system through the Internet to the actual web site that offered the desired fare. The agent must log on to the web site. If the prospective passenger is not a "member" of the web site, he must become a member. Thus, the agent must answer the site's membership questions and build a traveler profile online including credit card number, frequent flier number, etc. If the agent does not know the answer to any particular question, he must call the passenger back (or, of course, keep the passenger on the phone during the entire booking/web search process).

If a booking is ultimately made through this process, the agent will likely duplicate the booking within the GDS by use of a passive segment. This will allow the agent to have an automated record of the booking and will enable the production of an itinerary by the travel agent and an accounting record for client management. However, the agent will not receive updates to the passive booking from the airline involved in the transaction and the obvious additional (if not duplicative) time and effort will likely cause the agency's to charge consumers for the service. Some agents fear that his added cost will drive consumers away from travel agents. Moreover, in all CRS systems except Galileo, such a passive booking will generate a CRS fee chargeable to the airline involved in the transaction. Of course, if the airlines made the web fares available to the travel agents directly through the GDS systems in the first place, these additional costs would not be borne by consumers and would allow all travel agents to compete against each other fairly.

The tool may add 5-20 minutes to the typical customer interaction depending upon the IP connection used by the agency.

c) Once the third party software is invoked, the response to the fare search provided by the web will be totally unlike the response provided to agents on a GDS. For example, each web site will have its own unique format. As agents are whisked away from the GDS to a web site and forced to log-on, they will have to spend time navigating through the idiosyncrasies of each portal. As we heard from virtually every travel agent who testified before the Commission, this additional burden and commitment of time and expense is totally unnecessary and can be easily avoided by making the web fares available through the existing GDS channel. Otherwise, consumers will pay more for travel and traditional travel agents will be further disadvantaged from a competitive perspective.

Question 2: How much training do you anticipate will be required by an experienced travel agent? What form will the training take?

Answer 2: The training session for one of these software products is estimated to be a one and one-half hour training module on the web. The learning curve for the required inputs on each individual web site is not easily quantified.

Question 3: How will the airline fares be accessed by your system?

Answer 3: See answer number 1 above.

Question 4: Will the agent receive a normal booking credit?

Answer 4: Galileo has not yet finalized its policy with regard to such credits.

Question 5: Will any fees be charged to the travel agent for the service?

Answer 5: Galileo has not yet finalized its policy with regard to such charges. However, the software providers apparently intend to charge travel agents a license fee. For example, at the hearing before the Commission in San Francisco, Agentware advised that it charges \$40 per workstation.

Question 6: When do you anticipate your system will be fully operational at travel agencies in the United States?

Answer 6: The Galileo system is already fully capable to accept all web fares into its system. Indeed, Galileo and presumably all the CRSs have requested the airlines to make these fares available consistent with the lead of America West. The other airlines have thus far chosen not to make web fares generally available to travel agents through the traditional GDS channel. As a result, Galileo is considering work-around solutions in order to provide our travel agents with a better ability to compete. The current pilot projects are projected to extend 60-90 days from June, 2002. Thereafter, appropriate modifications will occur before a Beta test period is attempted. Of course, the Beta test may be totally different from the pilot depending upon the results of the pilot project. The final rollout would not occur until sometime thereafter.

Question 7: Approximately what percent of web fares do you estimate will be available to your customers when your system is fully operational?

Answer 7: Of course, the airlines ultimately determine what percentage of web fares will be available whether through the GDSs or through third-party systems. In addition, some web sites are not searchable by the third-party software. Specifically, Southwest Airlines has apparently obtained an injunction against such software products from accessing the Southwest web site. Also, as we learned in San Francisco, Agentware has been prevented from accessing Expedia, American.com and Hotwire. Other software providers have been excluded from numerous sites. In addition, the software does not even purport to retrieve all web fares. Indeed, one of the pilot projects at Galileo searches only 8 web sites. A travel agent must use the hunt and peck method if other sites are to be searched.

Question 8: Are there other things that the commission should be aware of?

Answer 8: Web fares are already filed by the airlines with ATPCO but are not made accessible to travel agents. Galileo is diligently working with the airlines to make these fares available to travel agents through the normal GDS distribution process as America West has already done. If the other airlines followed the lead of America West, these burdensome and costly work-around solutions would not be necessary.

In talking with many of our customers, including those involved in our pilot project, Galileo has found that although there is a common perception among consumers that web fares are lower, travel agencies and corporate travel managers are finding that there are a number of sacrifices the traveler must make to take advantage of these fares and the cost saving is often marginal.

- Generally web fares are restricted to certain travel days.
- We also have noted that many airlines offer specially discounted web fares for flights just 2-3 days before their departure time.

To be competitive, travel agents feel compelled to offer web fares in order to appear competitive to prospective clients. If agents, whose commissions have gone away, must pay for software, spend time analyzing the results, and end up not booking the web fare after all, the unnecessary exertion of time and money is truly a wasted effort.

Finally, one of the major concerns relating to these web searches is the ability of the airlines and other web sites to prohibit access to their sites. Some of the software providers are already battling the airlines (e.g., Southwest, American, and others) concerning hits to the carriers' web sites. In this regard, it is interesting to note that the software provider most closely aligned with the airlines is apparently not being denied access. Once again, if the agents and GDS gear up for this work-around only to be electronically shut off by the airlines then consumers, travel agents, and competition will

suffer (along with the software companies).

The easiest solution is to regulate Orbitz as a CRS under the DOT's CRS rules. If this occurred, web fares would likely become available to travel agents through the traditional GDS systems. The Most Favored Nation's clause utilized by Orbitz would be banned by the rules and, as a result, web fares would proliferate. Airlines would be free to strike web fare deals with any distribution channel without a MFN hanging over their heads. Travel agents would be all competing on a level playing field and consumers would reap the benefits.

Thanks, Bruce, for the opportunity to answer your questions. If you have any follow-up queries, please do not hesitate to contact me.

Very truly yours,

/S/

Cathy L. Cupp Senior Vice President and General Counsel

Attachment 4

Answers of Sabre Inc. to Questions Posed On Behalf of National Commission to Ensure Consumer Information and Choice in the Airline Industry
July 19, 2002

- 9. How will the search be accomplished by the agent?
 - a. What hardware and communications system will be used?

Sabre Answer

Sabre will be communicating via XML and TCP/IP protocols. The hardware will comprise of the Unix system, with a Java (J2EE) application server that will eventually reside in the Tulsa data center managed by EDS.

b. Will the agent entries be the same as those used for accessing published fares in your system?

Sabre Answer

The agent will not be using the "green screen" version to search for web fares. The agent will be using a Web based application and will need to input the Origin and Destination information, preferred date and time, class of service and the airlines to search in a Web based input screen (similar to any airline web site) to initiate a search.

c. Will the response to the request be in your typical format or something different?

Sabre Answer

The response (including both Sabre host and web fares) is formatted in HTML and displayed to the user in his/her browser. The presentation is handled by eVoya (Sabre's web based application)

10. How much training do you anticipate will be required by an experienced travel agent? What forms will the training take?

Sabre Answer

The training requirement will be minimal for this product. Training will be conducted via canned product demonstration and customer presentations. There will also be Frequently Asked Questions (FAQs), which will help the agent to use the product.

11. How will the airline fares be accessed by your system?

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Sabre Answer

The host fares are queried directly from the host. The web fares will be queried through a service (called an aggregator) that goes out and searches the airlines websites for information on the search parameters requested by the agent. The results will then be displayed along with the fares from the Sabre system in one page.

12. Will the agent receive a normal booking credit?

Sabre Answer

The agency will not get credit for the booking made on the airline web site.

13. Will any fees be charged to the travel agent for the service?

Sabre Answer

Sabre is planning to charge a fee for any booking made on the airline web site and the amount of the charge is still being determined.

14. When do you anticipate your system will be fully operational at travel agencies in the United States?

Sabre Answer

The system is currently in Beta test and is expected to be launched in the United States in 3Q, 2002.

15. Approximately what percent of web fares do you estimate will be available to your customers when your system is fully operational? Sabre Answer

The agencies should be able to access all the fares listed on the supplier web sites.

16. Are there other things that the commission should be aware of?

Sabre Answer

The Commission should also focus on the new Corporate Connect pricing announcement of July 18, 2002 that should enable travel agents, and the corporations they serve, to engage in meaningful discussions for access to full content on the airline in return for their designation of the airline as a participant in this new program. Agents who choose opt in to this new program will forgo booking fee incentives as to the airline(s) they designate. The airline, in exchange, gets a Sabre booking fee that is roughly 50% lower for bookings made through the GetThere tool by the corporations that agent serves. The Sabre

press release of July 18, 2002 fully describes how the program will operate and the rationale.

Attachment 5

Worldspan Response