

FOR IMMEDIATE RELEASE

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WLF OPPOSES INDUSTRIAL POLICY FOR AIRLINE RESERVATION SYSTEMS

The Washington Legal Foundation (WLF) today urged the U.S. Department of Transportation to restudy its proposed regulations for computer reservation systems (CRS). In WLF's view, the Department's proposed regulations amount to industrial policy in favor of a specific model of reservation systems -- namely, consumer reservation sites that are jointly owned by competing airlines, such as Orbitz and Hotwire. WLF argued that the Department's approach, if adopted, would create inefficient distortions in the market and would contravene the Department's congressional authority to regulate CRS services.

In its proposal, the Department stated that it would largely retain its CRS regulations crafted during the pre-Internet age. Those regulations were first issued in 1984 and readopted in 1992. They include, among other provisions, a prohibition against bias in the display of schedules based on the identity of the carrier, a prohibition against the tying of participation in a CRS with the purchase of any other goods or services, mandatory sharing of all service enhancements with all participating airlines, and mandatory sharing of system-generated marketing, booking, and sales data. The Department's proposal would change the scope of the regulations by explicitly exempting consumer web sites, including those that are cooperative ventures of airlines. At the same time, it would broaden the reach of the regulations on another front, by bringing within their scope CRS services that are independent of any airline, so long as the services interact with travel agents.

In its submission to Secretary of Transportation Norman Mineta, WLF argued that the regulations improperly single out direct-to-consumer enterprises such as Orbitz for favorable treatment. Orbitz is a joint venture owned by five carriers -- American Airlines, United Airlines, Delta Air Lines, Northwest Airlines, and Continental Airlines -- that together account for 80 percent of the U.S. airline market. WLF stated that the proposal's treatment of jointly-owned consumer sites is inconsistent with the historical rationale for the CRS regulations, which are rooted in concerns about airline-owned CRS services giving biased travel information in favor of the owner's flights. To the extent consumer sites are free of regulation, WLF argued, CRS services geared toward travel agents (such as Sabre, Galileo, and Worldspan) should also be free of regulation.

WLF is a public interest law and policy center with supporters in all 50 states. It devotes a significant portion of its resources to advocating for free enterprise and national security before courts and government agencies nationwide. WLF's Civic Communications Program has published a commentary on the *New York Times* opinion-editorial page entitled "Unfriendly Skies for Consumers?" educating the public about the threat to free competition posed by the government favoritism in the proposed regulations

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For further information, contact WLF Senior Vice President for Legal Affairs David Price, (202) 588-0302. WLF's comments are posted on its web site, www.wlf.org.