



Highlights of [GAO-03-749](#), a report to congressional requesters

Why GAO Did This Study

In 2002, when major U.S. airlines posted net operating losses of almost \$10 billion, they paid over \$7 billion to distribute tickets to consumers. Of these total distribution expenses, airlines paid hundreds of millions of dollars in booking fees to global distribution systems—the companies who package airline flight schedule and fare information so that travel agents can query it to “book” (i.e., reserve and purchase) flights for consumers. Each time a consumer purchases an airline ticket through a travel agent, the global distribution system used by the travel agent charges the airline a set booking fee. Concerns have been raised that the global distribution systems may exercise market power over the airlines because most carriers are still largely dependent on each of the global distribution systems for distributing tickets to different travel agents and consumers and therefore must subscribe and pay fees to each. Market power would allow global distribution systems to charge high, noncompetitive fees to airlines, costs that may be passed on to consumers.

GAO was asked to examine changes in the airline ticket distribution industry since the late 1990s and the effects on airlines, the impact of these changes on travel agents and consumers, and what the relationship between global distribution systems’ booking fees and related costs suggest about the use of market power.

www.gao.gov/cgi-bin/getrpt?GAO-03-749.

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Z. Hecker, 202-512-2834, HeckerJ@gao.gov.

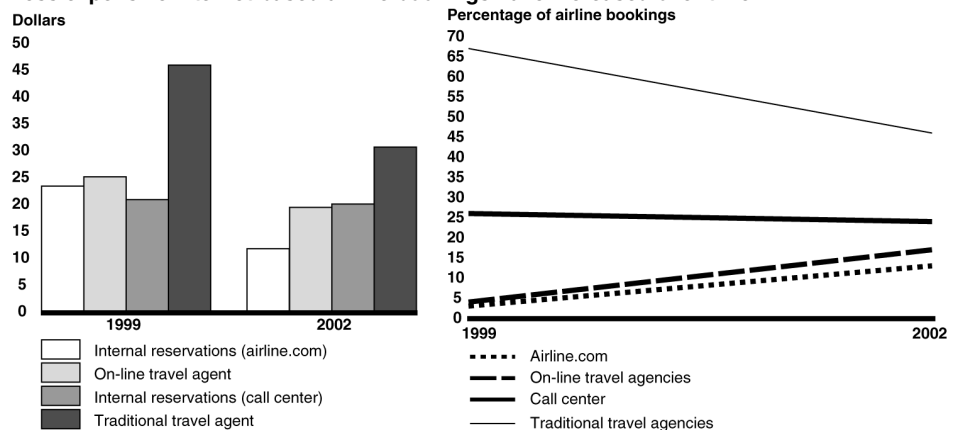
AIRLINE TICKETING

Impact of Changes in the Airline Ticket Distribution Industry

What GAO Found

Since the mid-1990s, two major changes occurred in the airline ticket distribution industry, and these have produced cost savings for some major U.S. airlines. First, airlines developed less expensive Internet ticketing sites that bypass global distribution systems and their fees and encouraged passengers to book via Internet sites. Between 1999 and 2002, on average, the percentage of tickets booked on-line, including airline-owned Websites and on-line travel agencies, grew from 7 percent to 30 percent. Second, in a related effort to trim costs, airlines cut the commissions they traditionally paid to travel agencies. However, these changes have not eliminated airline dependence on global distribution systems.

Less expensive Internet-based airline bookings have increased over time



Source: GAO analysis of data provided by major U.S. airlines.

These changes have had mixed effects on travel agents and consumers. Very large travel agencies (those with more than \$50 million in annual air travel sales revenue) appear to have benefited from volume-based incentive payments from airlines and global distribution systems, while smaller travel agencies have closed or lost business, especially to on-line travel Websites. Consumers who use the Internet have benefited from lower internet-only fares. Travelers who do not buy airline tickets on line may be at a disadvantage in not having access to these fares.

Because we lacked access to proprietary company information, we could not determine the precise relationship between global distribution system booking fees and related costs, and thus could reach no conclusions about potential exercise of market power by global distribution systems in the airline ticket distribution industry. Since 1996, booking fees and some costs related to the booking function—computing costs and travel agent incentive payments—both increased. However, we could not obtain data on all expenses related to the booking function, and thus could not accurately compare these costs to booking fees. DOT provided us with technical comments, which we incorporated as appropriate.