REPORT TO CONGRESS

EFFORTS TO MONITOR ORBITZ

June 27, 2002

Report of the Office of Aviation & International Affairs
Pursuant to U.S. Department of Transportation
Appropriations for FY 2002 Conference Report
House Report No. 107-308

EXECUTIVE SUMMARY

In the spring of 2001, the Department conducted an informal investigation of Orbitz, the online travel agency owned by five large U.S. airlines (American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines and United Air Lines), to see whether Orbitz's ownership and management structure, technical and business plans, and proposed operating procedures warranted action under 49 U.S.C. 41712 of the Department's organic statute giving it the authority to prohibit airlines and travel agencies from engaging in unfair methods of competition. We were concerned that Orbitz's airline ownership and its use of a "Most Favored Nation" (MFN) clause in agreements with airline participants could lead to a reduction in competition in the airline and airline distribution businesses. Furthermore, we were concerned that the owner carriers and other carriers participating in Orbitz could use it as a vehicle for price and/or service collusion or coordination and thereby reduce competition.

After a review of available information on Orbitz's business and operating plans, the Department determined that there was insufficient evidence to conclude that the joint venture was *ipso facto* anticompetitive and that its launch should be prevented. However, the Department planned to review the impact of Orbitz's actual operations on competition, rather than relying on unrealized business plans in making a definitive determination. The Conference Committee Report on the DOT appropriations bill for fiscal year 2002 requests that the Office of Aviation and International Affairs "report on its monitoring efforts" of air travel services related to Orbitz as a "joint airline distribution venture."

In conducting its informal investigation, the Department has had extensive discussions with Orbitz, online travel agencies, global distribution systems, and airlines which own or participate in Orbitz as charter associates as well as those who do not. The Department also issued extensive requests for information and documents from selected parties.

The Department refrains from reaching definitive conclusions in this report because the Department of Justice has not completed its antitrust review of Orbitz. The Department of Transportation and the Department of Justice will continue to coordinate the completion of our separate, independent investigations of Orbitz.

In this report, the Department addresses four primary concerns identified by the Conferees: 1) deviations from plans, policies, and procedures initially proposed in the joint venture's business plan and contained in its charter associate agreements; 2) the extent to which the joint venture has adhered to its commitment to not bias displays of fares or services; 3) the extent to which ties between the airline-owners and the "Most Favored Nation"clause in the charter associate agreement have resulted in monopolistic or other anti-competitive market behavior; and, 4) whether airline-owners of the joint ventures or charter associates have acted in an anti-competitive manner by choosing not to distribute fares through other on-line distribution outlets.

Based on information reviewed to date, Orbitz's implementation has been generally consistent with plans, including its filing for an initial public stock offering. One notable exception is that, since September 11, 2001, Orbitz has not received any additional funding from its airline owners.

Based on all evidence reviewed to date, Orbitz has also adhered to its contractual commitment to unbiased presentation of airline services which prevents Orbitz from accepting traffic-share shifting override commissions from airlines and from engaging in preferred carrier relationships like other online agencies. Orbitz therefore continues to view the MFN provision as a key part of its strategic position in a competitive online travel agency marketplace that is also important to supporting Orbitz's role as technology developer and provider. Orbitz is developing direct connection to the airlines' internal reservation systems to reduce airline dependence on expensive GDSs (global distribution systems or CRSs, computer reservation systems) and to significantly lower distribution costs.

Orbitz's competitors charge that, whether or not it is being invoked directly, the MFN clause has had a significant effect on how Orbitz charter associates offer and sell their inventory. They argue that airlines are sensitive to the broad dissemination of discounted published webfares and when they are required to sell such discounted fares on Orbitz as well as its own website in all cases, the carrier is more reluctant to further increase the dissemination of these fares on other websites. While some airlines agree that the MFN has affected how they distribute their inventory, more airlines argue that the MFN has not had such an impact. In addition, in recent months several Orbitz charter associates have reached agreements with major online agencies, some of which involve some level of access to webfares. The Department has obtained confidential information about the terms of these agreements.

Many airlines now view the primary purposes of webfares as a tool to induce consumers to use low-cost channels of distribution and thereby reduce distribution costs. Many carriers have averred a willingness to expand the availability of webfares to all channels prepared to offer them long-term, low-cost distribution economics and are using webfares as an inducement to obtaining such commitments from a variety of distribution channels. Webfares are substantially more prevalent in the marketplace than they were in May 2001. However, the percentage of tickets sold at webfares is highly variable and dependent on a number of market and carrier-specific conditions. PhoCusWright recently reported that webfares represent less than 2% of an airline's total ticket sales. It is unclear whether the number of webfare tickets sold as a percentage of total tickets will change.

Even before the advent of the Internet, airlines did not treat all distribution outlets the same with respect to the fares they are authorized to sell. The Department has traditionally interpreted the aviation statutes as allowing airlines the same degree of flexibility in deciding how and through what channels to sell their services as producers in other industries have, consistent with antitrust principles.

Reaching definitive conclusions on the impact of Orbitz on competition in the airline and airline distribution businesses is complicated by the fact that both the airline and the online travel agency businesses are changing very rapidly. Businesses in both sectors are fundamentally re-evaluating both the revenue and the cost sides of their businesses. The online travel distribution market is therefore still very fluid and no one can predict how it will evolve. By its very existence as part of a new and integrated business model, the Orbitz MFN has clearly affected the marketplace. The challenge for DOT is to definitively determine its effect on the marketplace in light of antitrust laws and antitrust principles. To date, Orbitz has had some pro-competitive effects in the marketplace and has brought some benefits to consumers. Orbitz could, however, evolve in ways that could harm airline competition and the potential for concern still exists. In particular, the Department is concerned about the potential that the Orbitz MFN could discourage selective discounting and other direct marketing initiatives through various distribution channels. However, government intervention in the marketplace should be designed to correct a failure of market forces, not to replace or pre-empt them in ways that could potentially stifle innovation.

Background

In the spring of 2001, the Department conducted an informal investigation of Orbitz, the online travel agency owned by five large U.S. airlines (American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines and United Air Lines), to see whether Orbitz's ownership and management structure and technical and business plans could lead to a reduction in competition in the airline and airline distribution businesses. Furthermore, we were concerned that the owner carriers and other carriers participating in Orbitz could use it as a vehicle for price and/or service collusion or coordination and thereby reduce competition.

The basis for this informal investigation is 49 U.S.C. 41712, formerly section 411 of the Federal Aviation Act. That section authorizes the Department to prohibit unfair methods of competition by airlines or travel agencies "in air transportation or the sale of air transportation."

On April 13, 2001, the Department issued a public letter to Orbitz outlining the status of our informal investigation. After a review of available information on Orbitz's business and operating plans, we determined that there was insufficient evidence to conclude that the joint venture was *ipso facto* anticompetitive and that its launch should be prevented. However, we said we would review the impact of Orbitz's actual operations on competition, rather than relying on unrealized business plans in making a definitive determination. We also requested that Orbitz report back to us within six months from the date of official launch so we could review the implementation of its business model. On November 15, 2001, Orbitz submitted its six-month report to the Department.

Separately, on May 16, 2002, the Secretary announced the establishment of the National Commission to Ensure Consumer Information and Choice in the Airline Industry which was created by the Aviation Investment and Reform Act for the 21st Century (AIR-21) to study the market position and general condition of retain travel agents in today's competitive markets for the sale of air travel service.

The Conference Committee Report on the DOT appropriations bill for fiscal year 2002 (House Report 107-308) requests that the Office of Aviation and International Affairs "report on its monitoring efforts" of air travel services related to Orbitz as a "joint airline distribution venture" and to report our findings to the Department's Inspector General.[1]

Scope of the Report

This report on the monitoring efforts concerning Orbitz by the Office of Aviation and International Affairs addresses the following potential concerns outlined by the conferees:

- Deviations from plans, policies, and procedures initially proposed in the joint venture's business plan and contained in its charter associate agreements;
- The extent to which the joint venture has adhered to its commitment to not bias displays of fares or services;
- The extent to which ties between the airline-owners and the "Most Favored Nation" clause in the charter agreement have resulted in monopolistic or other anti-competitive market behavior; and,
- Whether airline-owners of the joint ventures or charter associates have acted in an anti-competitive manner by choosing not to distribute fares through other online distribution outlets.

[1] House Report No. 107-308.

Monitoring Activities

The Department seeks to determine whether the terms of participation in Orbitz are unreasonably restricting competition in the airline and airline distribution businesses. To undertake this task, we obtained additional information from various parties.

The Department has had a series of conference calls with selected smaller carriers, both those with charter associate relationships with Orbitz (discussed below) and non-charter associates. Included in the latter group have been some of Orbitz's most ardent airline skeptics.

In addition, the Department has conducted numerous discussions with online travel agencies, global distribution systems (GDSs, also known as computer reservation systems or CRSs), and travel agencies that have expressed concerns about Orbitz's impact on the airline and airline distribution businesses.

From February 28 to March 1, 2002, Department staff visited the Chicago headquarters of Orbitz and conducted extensive discussions with Orbitz officers about the implementation of Orbitz's technological and business plans, updating the information obtained during a similar discussion prior to Orbitz's launch.

On March 12, 2002, the Department issued extensive requests for information and documents from Orbitz, from all of Orbitz's owner airlines, from selected non-owner airline charter associates, and from selected major online travel agencies. Additional online agencies have voluntarily submitted their points of view to the Department.

The information the Department requested involves confidential business information. We have, for example, asked for information on business plans, contracts, and proprietary data. The information contained in the reports is confidential, privileged, and proprietary information whose release to the public would likely cause the submitting company substantial competitive harm and that is not customarily disclosed to the public.

All respondents have asked for confidential treatment under our rules, 14 C.F.R. 302.12, and the Department has given the respondents every assurance that we will use our best efforts to protect the confidentiality of all sensitive business information submitted pursuant to its request. We therefore intend to withhold such confidential information from release under the Freedom of Information Act (FOIA), which authorizes agencies to withhold trade secrets and commercial or financial information that is privileged or confidential.[2] Federal law provides other protection for confidential business information.[3] Also, two Federal statutes apply that involve FOIA's Exemption 3, for statutes outside FOIA that authorize withholding of information. These are 49 U.S.C. 40115, which protects the competitive position of U.S. air carriers engaged in international operations (which the Orbitz owners do), and 49 U.S.C. 46311, which protects information gathered from air carrier records. The ability of the Department to effectively conduct such informal investigations is dependent upon our ability to protect the confidentiality of sensitive business information requested by the Department. The Department very much appreciates the understanding that Congress and others have shown in this regard.

---

[2] 5 U.S.C. 552(b)(4).

[3] See 18 U.S.C. 1905.

Pending Cases and Investigations

The Department of Justice has an open investigation of Orbitz and has not reached a final determination in this case. The Department of Transportation continues to consult with the Justice Department.

On March 28, 2002, the American Society of Travel Agents and Hillside Travel, Inc. submitted to the DOT a formal complaint (OST Docket 2002-12004) against Delta Air Lines, Inc., United Air Lines, Inc., American Airlines, Inc., Northwest Airlines, Inc., Continental Airlines, Inc., US Airways, Inc., America West Airlines, Inc., Air Canada, and Orbitz LLC for unfair practices and unfair methods of competition in air transportation and the sale of air transportation, in violation of 49 U.S.C. 41712, and requested that the Secretary of Transportation order these airlines and Orbitz to stop their alleged unlawful practices. ASTA and the agency allege that the airlines' unwillingness to allow all travel agencies to sell webfares is an unfair method of competition when combined with their elimination of base commissions.

Developments in the distribution of air travel over the Internet are extremely fluid. A variety of innovations, mergers and acquisitions, and changes in the corporate strategies of suppliers and distributors are likely to significantly affect the competitive dynamic in the airline distribution business. The Department of Transportation and the Department of Justice will coordinate the completion of our separate, independent investigations of Orbitz. The Department will therefore refrain from reaching definitive conclusions in this report. However, the Department can fulfill the Conference Report request to report on our monitoring efforts to date. After a brief introduction to Orbitz in the context of trends in online travel distribution, each concern will be addressed in turn.

Orbitz in Context

Five general types of business-to-consumer travel sites can be identified on the Internet: the airlines' own websites, GDS-based online travel agencies (sites such as Travelocity, Expedia and now Orbitz), "opaque" sites[4] (sites that ask customers to bid for tickets and pay for bookings before knowing the airline and/or schedule), specialty low-fare sites (these are more like tip sheets for selected bargains, sometimes just for airfares or other elements of a trip) and "screen-scraper sites" (sites that may or may not have direct data link access to the offerings of airlines, but use technology that automatically reads the screens of other travel websites and reports those findings to the customer).

At the most basic level, Orbitz can be viewed as similar to any online travel agency. Orbitz uses new technology to search schedules and fares directly from airline filings with the Airline Tariff Publishing Company (ATPCO) and currently uses the Worldspan GDS as a booking engine. The joint airline website largely replicates the airline booking services already offered by online agencies, a market in which Travelocity and Expedia are the primary incumbent players with over 60% of online agency bookings, both prior to Orbitz's launch and today.

Orbitz is, however, different from other online agencies in three principal respects:

---

[4] An opaque fare is an unpublished fare sold via the Internet in a manner such that airline identity, time of departure/arrival, and duration/routing of trip are not disclosed until after the consumer makes a purchase.

Ownership: The five largest U.S. carriers—United, American, Delta, Northwest, and Continental, which account for over three quarters of scheduled U.S. airline industry revenues, created and own Orbitz.[5]

Fare Offerings: All airline services which are available for sale in Worldspan are also available for sale in Orbitz. As a precondition to the formation of Orbitz, the airline owners agreed to sign a charter associate agreement whereby the airline agrees to sell all of its published fares (including special webfares sold on its own website and on third party websites) through Orbitz on a non-exclusive MFN (most favored nation) basis. Orbitz will rebate to the charter associate airlines part of the booking fees directly back to the airline. Worldspan often gives its large travel agency customers like Orbitz a portion of the booking fees obtained by Worldspan from airlines and Orbitz thus shares with the charter associate airlines the fees remitted by Worldspan to Orbitz. The MFN clause does not apply to unpublished fares such as corporate fares, tour operator fares, off-tariff fares, group fares, meeting and incentive fares, and private fares. While the MFN clause does not prohibit charter associate airlines from offering particular published fares on third-party travel provider websites, Orbitz must be given the opportunity to match the terms for access to those fares, if it is able to do so. Orbitz has offered the same commercial terms to non-owner airlines who wish to become charter associates. Each owner and non-owner charter associate airline must also provide some in-kind marketing assistance for Orbitz, based on its relative market share, with the maximum amount capped at a fixed level. Orbitz's owners have all agreed to these same provisions. Some non-owner airlines have opted to become charter associates. Others have not, most notably Southwest Airlines. A list of Orbitz charter associate carriers is provided in the Appendix.

Contractual Commitment to Neutral Displays and the Reduction of Distribution Costs: Orbitz maintains it is contractually bound to provide unbiased listings of airline services. Orbitz receives a per ticket fee for distributing airline services from charter associates which is fixed with significant annual price reductions over the term of the agreement. Orbitz receives either a fee or a commission from airlines that have decided not to become charter associates. Since the recent elimination of base travel agent commissions for tickets issued in North America, Orbitz charges the consumer a $10 fee to issue tickets on carriers that have not agreed to pay Orbitz a commission or a service fee. The consumer service fee charged to customers purchasing tickets on charter associate airlines is currently $5 per ticket. (Following the elimination of base commissions, most airlines reached agreements with many online agencies to compensate them for selling their tickets. In some cases, some airlines elected not to compensate some online agencies. In these cases, online agencies charge consumers higher service fees for tickets issued on those carriers. Orbitz did the same with respect to non-charter associate airlines that did not agree to provide some level of compensation to Orbitz.)

Orbitz's airline owners assert that two primary motives prompted them to create Orbitz. The first was to introduce more competition in the rapidly growing online market for leisure travel in an environment marked by two converging trends: 1) many leisure travelers demonstrated that they prefer a neutral, one-stop-shopping type of online travel agency with a broad range of travel element offerings rather than using individual carrier websites; and, 2) consolidation in the online travel agency environment was proceeding more rapidly than in the brick-and-mortar world, thereby reducing competition among distribution channels and increasing the power (and the willingness to exert that power) of the dominant players. Airlines were also enticed by the

[5] United, Delta, Northwest, and Continental initiated the Orbitz project and were later joined by American. All five airlines are considered by Orbitz as "Founding Airlines."

prospects of high returns on investments in the Internet world – and particularly in the fast-growing market for online travel agency services focused on leisure travelers.

The second primary motivation for creating Orbitz advanced by the airline owners was their desire to reduce distribution costs by exerting competitive pressure on GDSs. Airlines' distribution costs have been as high as 20% of expenses and constitute most airlines' third largest cost category. As other cost components declined, distribution costs continued to rise. Having cut travel agent commissions in an effort to trim these costs, airlines faced GDS fees that represent between 2% and 4% of the total ticket price. Due to the fact that most carriers need to be present in all distribution outlets, airlines became the primary source of revenue for the GDSs as they vied for market share by competing for travel agent subscribers, by offering them bonuses, free equipment, booking fee rebates, and other incentives. With few exceptions, most airlines have to be present in all systems in order to reach as many customers as possible. Because carriers cannot as a practical matter withdraw or threaten to withdraw from participating in any individual system, they have virtually no leverage on GDS pricing decisions. While GDSs compete for travel agency subscribers and other end users, they are not constrained in the booking fees they charge to airlines.

Internet Airline Distribution

Airlines have been steadily increasing the amount of internet bookings as a percentage of passenger revenues. PhoCusWright, an Internet research firm, reports that the Internet represented 14% of all airline sales for the top nine U.S. airlines in 2001, up from 8% in 2000. (These figures exclude sales made through corporate online systems such as GetThere and e-Travel.) PhoCusWright further notes that airline website sales totaled $6.9 billion in 2001, up 50% from 2000, while agency sales grew 40% to $4.9 billion.[6] Airline websites now represent 58% of airlines' total Internet sales while the remaining 42% of Internet sales are made through online travel agencies.[7] PhoCusWright reports that most airlines expect their own websites will grow at faster rates than online travel agency websites, but airlines will still use online agencies to sell some of their lowest fares, including merchant/negotiated fares, webfares, and opaque fares.[8] Airlines are adding additional features to attract customers to their websites, including: remote Internet check-in, frequent flyer promotions, and online frequent flyer awards redemption.

March 2002 Nielsen/NetRatings data show that nearly 43% of all web surfers accessed an online travel site during that month, compared to 39% in February 2002. Nine out of the top 10 online travel sites posted double-digit gains in March, lead by Expedia which increased 18% to 11.6 million surfers. Travelocity grew 24% in traffic to 10.2 million. Orbitz attracted nearly 6.6 million visitors, representing a 14% gain. Completing the list of the top five, Southwest Airlines drew nearly 5.2 million visitors, jumping 16% and CheapTickets.com surged 51% to nearly 4.4 million unique visitors.[9] Market share data for air bookings for the top three online agencies show that Travelocity has the largest share with 35%, Expedia has 34%, and Orbitz is number three with 31%.

In 2002, Forrester Research, another Internet research firm, predicts online spending will soar to over $20 billion. By 2003, more than 10% of the U.S. travel market will be booked online.[10]

---

[6] *Airline Web Sales Soar Despite Sour Year*, PhoCusWright, Inc., May 2002, p. 1.
[7] *Ibid*, p. 2.
[8] *Ibid*, p. 3.
[9] *Travel Commerce Report*, April 24, 2002 Vol. 1, Issue 14, p. 4.
[10] "Airline Websites: A Challenge from Online Agencies," *Financial Times*, March 13, 2002, p. XI.

Jupiter Media Metrix (another Internet research firm) is predicting that online travel sales in the U.S. will jump 29%, to $31 billion this year, and to $50 billion by 2005. They estimate that about half of that is from airlines' and other suppliers' own websites, leaving substantial room for the online agents.[11]

Despite such phenomenal growth predictions, it is important to keep in mind that traditional travel agents still reportedly sell nearly 70% of airline tickets. A Sabre official has similarly predicted that travel agencies will account for 65% of all airline bookings in 2005 (45% by traditional travel agencies and 20% by travel agency websites). When travel agencies make bookings, airlines pay booking fees to GDSs and, in many cases, incentive commissions.

Allegations Against Orbitz

The following list summarizes the concerns and/or objections to Orbitz expressed by Orbitz's opponents to the Department: 1) the MFN provision gives Orbitz "unfair" access to webfares in an environment where airlines are reluctant to make these fares readily available; even though the MFN clause is not exclusive, to prevent dilution of revenues, airlines generally do not distribute webfares in more than two places (e.g., their own websites and Orbitz); 2) based on the rate at which Orbitz has become a major competitor in the online distribution market, maintaining its access advantage to webfares will result in Orbitz monopolizing air travel sales by online agencies; 3) as Orbitz continues to gain market share by leveraging its inventory against its competition, the competitors will be forced to move away from selling air travel independent of package deals and towards other products to make up for lost revenue; in turn, there will be fewer intermediate distributors negotiating lower fares to sell to consumers; 4) once in control of the online distribution market, owner airlines will raise prices via Orbitz; 5) charter associates are using Orbitz for better visibility of some published fares, thus creating an environment that neutralizes fare wars; 6) members could use Orbitz to collude on pricing (as of yet, no claims have been made in this regard; however, it remains a concern); 7) the Orbitz business model harms the low-fare carriers and/or those carriers with low marketing budgets via in-kind marketing obligations; 8) although the Orbitz subscriber base is considerably lower in numbers than that of its competitors (at this time), Orbitz will continue to draw a higher look-to-book ratio[12] because of its access to webfares and, in turn, gain market share without strong competition; 9) Orbitz owners are protecting their investment by not making deals with other online agencies and using drawn-out negotiations whereby they reject offers equal to or better than "Orbitz economics" as smoke screens to cover their collusive behavior. Each of these concerns/objections will be addressed as they relate to the Conferees' four concerns.

I. Deviations from plans, policies, and procedures initially proposed in the joint venture's business plan and contained in its charter associate agreements

The Department has continued to monitor the implementation of Orbitz's plans, policies, and procedures. To date, implementation has been consistent with plans, with the exception of normal adjustments one would expect of a new business responding to rapid changes in a dynamic industry. For example, the terrorist attacks of September 11th occurred only three months after Orbitz's launch. Like many businesses, Orbitz responded by cutting costs to

[11] "Online Travel Takes Wing," *Business Week*, April 1, 2002.

[12] "Look-to-book" ratio is the number of air purchases by unique purchasers on any given website divided by the total unique visitors to that website.

conserve cash and was very conservative in ramping spending back to planned levels. Orbitz has represented to the Department that it has received no funds from its airline owners since September 11, 2001. Orbitz also instituted a service fee on all airline tickets sold, making what it regards as a deliberate decision to reach profitability even if at the expense of greater market share. Predictably, Orbitz saw a drop in bookings after implementing service fees.

Critics have alleged that the Orbitz business model is fundamentally uneconomic as a viable independent going concern. The Department has reviewed Orbitz's business plans in light of this allegation and finds evidence to the contrary, including Orbitz's filing with the Securities and Exchange Commission for an initial public stock offering. The Department cannot determine whether the owner airlines will in fact make an adequate return on their investment. It is true, however, that the Orbitz business model is *different* from those of its competitors and understanding the differences is important in determining whether the Orbitz model is restricting competition.

Orbitz maintains that its business model has two fundamental components: 1) to provide a new approach to the online agency business through a commitment to neutral displays and technological innovation to serve the online agency market segment; and, 2) to reduce the distribution costs of travel suppliers, largely by re-engineering GDS functions with new technologies to foster greater competition between GDSs and travel suppliers. Airline GDS booking fees have continued to climb without competitive discipline while general information technology costs have been steadily declining. Sabre, for example, increased its booking fees by 9% in 2001 and 3% in 2002.[13] The Internet age has not brought competition up the supply chain to affect the relationship between the airlines and the GDSs as expected. In fact, all major online travel agencies depend on GDSs for their booking capability. Online agencies joined their offline counterparts in their dependence on the GDSs. From the perspective of the travel supplier, they are also tied to a distribution fee structure that is not subject to competitive forces. Airlines saw a critical need to create incentives to reduce distribution costs -- namely by exerting more competitive pressures on GDSs by bringing to market innovative technologies enabling travel suppliers to bypass GDSs. This dynamic is central to understanding the impact of the Orbitz business model in the marketplace.

As with all new market innovations and changes -- and the airline distribution market has been marked by many radical changes since the advent of the Internet -- there are always dislocations and problems as all actors in the marketplace adjust to the realities of new dynamics and technologies. Prior to the Internet, airline ticket distribution costs were not substantially different among different sales outlets. Since the advent of the Internet, carriers report that the cost of distributing an airline ticket can range from as low as 25 cents to over $60, depending on the distribution channel through which the ticket is sold. If carrier A and carrier B are competing in a given market with a $150 roundtrip fare and have substantially different cost structures, the difference in net revenue obtained by carrier A, which can often distribute this fare at a cost of 25 cents compared to carrier B, which must often sell the same fare at a cost of $60, is competitively significant.

Orbitz maintains that it is committed as part of its core business plan to developing scaleable direct connect technologies for airlines that will significantly cut distribution costs, and claims it is making significant progress toward that goal. In the interim, Orbitz is using Worldspan as its booking engine (though not as its search engine) and is rebating a portion of the booking fees

[13] *Travel Distribution Report*, January 11, 2001 at 6. *Travel Distribution Report*, December 13, 2001, p. 1.

back to the airlines that have chosen to become charter associates. One Orbitz charter associate reports that the booking fee rebate via Orbitz lowers its distribution costs for fares booked on Orbitz by approximately one-third. Other charter associates report comparable savings.

"Direct connect" is defined as bypassing the GDS layer to communicate and book inventory directly with a supplier's host internal computer reservation system. "Scaleable integrated direct connect" is defined as "a network of Internet-based direct connections between suppliers' host CRS or PMS and participating travel agencies and corporate accounts and their accounting systems, allowing buyers access to multiple suppliers via one query."[14] Direct connection streamlines product distribution and reduces dependence on the services of GDSs. Carriers will save a substantial amount of money in booking fees, since they do not pay such fees on bookings in their internal system. Forrester Research, an independent e-commerce technology research firm, notes:

> A major airline like Delta Air Lines generated $15.7 billion in passenger revenues in 2000, but earned a net income of only $897 million. If 70% of Delta's revenues come via GDSs, GDS fees cost the airline $275 million. For Delta to cut those fees by one-third means that an extra $91 million drops to its bottom line, boosting its net income 10%.[15]

Forrester's study notes that the primary drivers of direct connect technologies are the GDSs' "archaic technology," the high cost of distributing via these systems, and the difficulty in differentiating and merchandising products in these systems. Building direct connect is complex and requires integrating various components of the ticket issuing process: passenger name record (PNR) synchronization and access, fulfillment, customer servicing, refund/reissue exchange functionality, reporting, and financial settlement. It is highly unlikely that direct connect will completely eliminate the need for GDSs due to the need to make non-direct bookings and for other purposes, such as interline bookings. Furthermore, direct connect requires a significant investment on the part of each airline and not all airlines may choose to make that investment despite the advantages of the technology. Direct connect is, however, likely to reduce the dependence of travel suppliers on the more limited and expensive GDS technology. Forrester predicts that, "The industry will move to integrated direct connect, a more productive and convenient network that links suppliers' hosts to one another and to travel agencies, corporate accounts, and travelers, using standard formats and the Internet backbone."[16] Orbitz is not alone in pursuing direct connect technologies. Other technology firms and at least one other online agency are pursuing direct connect technologies as well.

In its April 13, 2001, letter to Orbitz permitting its launch, the Department noted the inherent desirability of having new entry in the airline distribution business and having as much competition in the marketplace as possible to maximize consumer welfare. New entry is particularly attractive in light of the trend toward mergers and acquisitions among online travel agencies. We have previously noted that Orbitz's unique business model could potentially add a new element to competition among distribution outlets. We also noted the potential that Orbitz could spur competition by re-engineering older technologies to reduce airline costs.

The Department will be reviewing the implementation of the Orbitz business model and its components, including criteria for direct connect priorities, to ensure that they are fair and non-

---

[14] Harteveldt, Henry H. The Forrester Report, *Travel: Direct Connect Isn't Enough*, October 2001, p. 10.
[15] *Ibid*, p. 14.
[16] *Ibid*, p. 8.

discriminatory. The Department will monitor future developments to see whether Orbitz obtains market power in the online distribution business and, if so, uses any such power in ways that could prejudice airline competition.

II. The extent to which the joint venture has adhered to its commitment to not bias displays of fares or services

The Department has discussed this issue with all parties concerned. Based upon all available evidence, Orbitz has adhered to its commitment not to bias displays of fares or services. The charter associates themselves have been particularly vigilant in making sure that Orbitz complies with its contractual commitment to offer neutral displays. The "Orbot" search engine even produces an unbiased display when the consumer starts from a sale landing page, which is reached when the consumer is searching more information about a single carrier's advertised fare sale. Some parties have raised questions about aspects of the neutral display criteria used by Orbitz, and these questions have been addressed by Orbitz. As with all websites, such issues often involve architectural bias inherent in interfacing various types of technologies. Indeed, there are often differences in the fares being offered on airline websites, online agencies, and Orbitz at any given time (even when they are all authorized to sell the same fare) depending on the technology and procedures used by the GDSs that serve as website booking engines. Some GDSs have the capability to process various types of fare discounts faster than others and some GDSs process fare loads more quickly than others. These differences mean that, even if fares are available on different websites, they may not appear at any given time due to such technological differences.

Orbitz's unique contractual commitment to unbiased displays limits Orbitz's ability to use the same tools as other online travel agencies. For example, Orbitz is prevented from negotiating commissions, override commissions, and from selling forms of screen presence (advertisements in the booking paths, preferred carrier booking paths, etc.). Other online agencies view these tools as central to their businesses. In many cases, online agencies hold themselves out to airlines and other travel suppliers not as travel agencies, but as "travel marketing companies that support the direct sales of their travel partners." They often promise to provide more than the airline's fair share of tickets (based upon the airline's current market share) in order to obtain greater compensation from airlines. Such arrangements are designed to move market share from one carrier to another. Online agencies claim that they do not bias their displays and that they only use techniques like banner ads and preferred airline selections to increase an airline's market share.

Online agencies routinely develop preferred provider programs to enhance the compensation they receive from airlines and other travel suppliers. Since they do not charge fees to consumers for their services, they are reliant upon travel suppliers for much of their revenues. Online agencies argue that their model gives them the incentive to get better deals for consumers from airlines and others. They also legitimately argue that advertising is pro-competitive and gives new entrants a chance to gain market share. Vanguard Airlines states in a recent letter that it is, "increasingly concerned that, with the increasing domination of Orbitz, consumers are lured away from independent agencies, where smaller airlines have greater opportunities to establish name recognition and gain passengers from the larger airlines."[17] Given the nature of some of the

[17] Letter of Robert M. Rowen dated April 30, 2002, addressed to Representative Mike Pence and copied to the Associate Deputy Secretary of Transportation, Docket OST-97-2881, p. 2.

arrangements, it is not self-evident that there is *always* a positive net benefit for the consumer when compared to a model that is free of what some e-commerce analysts refer to as "presence bias." Some consumer groups have cited the display of ads in the booking path and the prominent feature of buttons triggering exclusive displays of preferred carrier flights as examples of prejudicial behavior that can be harmful to consumers. There are therefore many complex inter-related factors that must be considered in making a determination about net consumer benefits, one of which is the economic relationship between suppliers and distributors. The introduction of the Orbitz business model in the marketplace shows that a heterogeneous mix of distributor business strategies can promote more competition. Orbitz's opponents argue that, if Orbitz obtains a dominant position in the online travel agency business, it could drive competing agencies out of the market and undermine airline competition.

Some Orbitz charter associates (owner and non-owner) have expressed a preference to use an online agency with a contractual commitment to unbiased displays as it takes commission override arrangements out of the equation. Small carriers have traditionally felt disadvantaged by the travel agent distribution model predicated on such inducements. Through unbiased display, airline fares alone stimulate competition.

Some smaller low-fare carriers who favor the Orbitz commitment to unbiased displays have, however, chosen not to become charter associates. The primary reason cited by most low-fare carriers that do not participate in Orbitz is that the MFN provision restricts the "exclusivity" of their own websites and reduces their ability to attract consumers to this lowest-cost distribution channel. They also do not want to lose their ability to selectively engage in deals with other online agencies and distribution channels without the obligation to also give these deals to Orbitz. In addition, one carrier cited other specifications in the Orbitz agreement that it felt were designed to burden small low-fare carriers with higher distribution costs (namely, the in-kind advertising commitment.) As part of the in-kind advertising formula is based on revenues generated from the site, one low-fare airline argues that the airlines with the lowest fares will gain market share via Orbitz and in turn, be obligated to pay additional in-kind marketing costs for it. Even if in-kind marketing is considered soft-dollar, lower budget airlines view this kind of marketing as lost opportunity to gain hard dollar advertising from other commercial partners to further reduce their costs. Further, one carrier reports concern about the cap in the annual marketing support obligations. If the large carriers' market share calculations exceed the cap and small carriers do not, the marketing support burden would fall more heavily on the smaller carrier. The Department has examined this situation.

Orbitz maintains that its business model is predicated on a contractual obligation to unbiased presentation of airline services, which prevents it from accepting traffic-share shifting overrides and preferred carrier relationships and could ensure that competition in the online agency business remains robust and focused on the consumer. The Department's review of documents outlining negotiations between selected carriers and online agencies suggests that, since Orbitz has begun operations, some carriers have placed more emphasis on the neutrality of displays both in the published fare environment and the opaque fare environment. In one case, an Orbitz charter associate reports that an online agency wanted the right to refuse acceptance of a fare if that fare conflicted with a preferred carrier relationship it had with another airline. In its negotiations with another online agency, one Orbitz charter associate sought to obtain a written commitment to unbiased airline agency displays. The agency resisted, insisting on the ability to give preferential display positions to its airline partners.

One Orbitz charter associate claims that its share of sales in Orbitz is comparable to its sales through other online agencies, but is slightly larger in Orbitz because of Orbitz's neutral display. Orbitz's competitors, however, maintain that such differences in sales are due to Orbitz's greater access to webfare inventory. Another Orbitz charter associate also contends that it does not receive its fair share on some online agencies, especially in particular markets, and suspects this is due to preferred carrier relationships. Another Orbitz charter associate notes that by providing an unbiased option for air travel suppliers, Orbitz reduces the leverage of other major online agencies to extort benefits from biasing. Another Orbitz charter associate believes that it is not getting its fair share of sales in other online agencies and has been prohibited from matching Internet-only fares provided by one agency's preferred providers. This charter associate claims that the agency refused to accept its webfares when filed as webfares. As a result, this carrier matched the fares in the published fare environment but, according to the carrier, its fares still did not show up in the agency's promotional displays for the Internet fare offerings of its preferred providers.

Orbitz charter associates continue to negotiate with other online agencies to provide inducements for moving market share on the agencies' websites, much as they have done with traditional travel agents for years. Many airlines are keen to provide overrides when online and offline travel agents book more than the airline's fair share based upon its existing market share in a given market. Several Orbitz owner charter associates have concluded new agreements with other online agencies that will drive share to these carriers – something the carriers acknowledge Orbitz by design cannot do. The Department observes that the terms of override agreements in the online and offline travel agent environments appear to be increasingly detailed and aggressive in their share hurdles and targets. Online agencies report that Orbitz owner charter associates are demanding more stringent market override targets in exchange for obtaining even limited access to webfares at the carrier's sole discretion.

Orbitz cannot negotiate fees charged to charter associate airlines for issuing tickets. The fee schedule is fixed in the charter associate agreement and is the same for all carriers. This design could ensure that large and small charter associate carriers are treated equally. Orbitz cannot, however, negotiate lower fees with non-charter associate carriers unless it is also prepared to give charter associates the lower fees. While such a regime could ensure that small carriers will be treated equally with large carriers despite differences in volume (which would normally translate into better economics for larger carriers), in the long-run it may mean Orbitz's fee structure constitutes a distribution price floor, which could be problematic. In dealings with other online agencies, airlines are also keen to ensure that they receive market-leading distribution fee rates comparable to the best deals of their competitors and have negotiated similar MFN-type fee clauses into their contracts with different online agencies.

III. The extent to which ties between the airline-owners and the "Most Favored Nation" clause in the charter agreement have resulted in monopolistic or other anti-competitive market behavior

Among the Department's major concerns with Orbitz has been whether the Orbitz charter associate agreement unduly restricts the airline charter associates' incentive to compete in the distribution of their services due to the MFN clause. The MFN clause in the Orbitz charter associate agreement requires the signatory airline to give Orbitz all of the published fares it offers to any other third-party Internet agency, provided that Orbitz is able to match the terms offered by that Internet agency. Another provision in the same clause of the charter associate agreement

requires that the signatory airline provide to Orbitz all of the published webfares it offers on its own airline website. In its six-month report, Orbitz states that the third-party MFN provision has not been officially invoked. This is largely due to the fact that an airline routinely puts on its own website any fares an airline agrees to provide to third-party Internet sites and, as such, it is covered by the other MFN-like provision of the Orbitz charter associate agreement. Orbitz contends that both provisions are expressly non-exclusive and that the agreement does not prevent the carrier from also selling all of the fares it gives to Orbitz anywhere else on the Internet. Furthermore, if a competitor offers to undercut Orbitz, Orbitz must match the terms of the offer to sell those fares. If Orbitz does not or cannot match the terms, the MFN obligation does not apply. The MFN provision applies only to published fares.

Orbitz's competitors charge that, whether or not it is being invoked directly, the MFN clause has had a significant effect on how Orbitz charter associates offer and sell their inventory. If an airline is sensitive to the broad dissemination of discounted published fares (presumably due to concern about an aggressive competitive response) and it is required to sell such discounted fares on Orbitz as well as its own website in all cases, then the carrier will be reluctant to further increase the dissemination of these fares on other websites. Critics further argue that the MFN clause undermines the incentive of individual airlines to make clandestine deals with other Internet travel sites – deals that they contend have a pro-competitive effect on airline pricing.

In its April 13, 2001 letter to Orbitz, the Department noted potential mitigating factors on the impact of the MFN clause:

> First, other agencies are free to match the terms of the Orbitz contract. In addition, the MFN agreement itself appears to provide some flexibility for charter associates which may ameliorate potentially anticompetitive effects on the market dynamic. For example, the MFN "does not obligate Airline to delay or forego a commercial opportunity due to Company's [Orbitz's] inability to proceed with a similar commercial transaction with Airline for technical, financial, or other reasons." Furthermore, Orbitz is contractually bound to being unbiased. It is committed on the record to not providing advertising for any "preferred carrier" which pays for such displays along the air booking path. If a competing online agency offers to sell air carrier advertising in the air booking path or offers some other form of "presence bias," the MFN clause is inapplicable according to Orbitz's documentation. Further, if a competitor offers the airline faster or better technology or price terms that Orbitz cannot match, the airline has no obligation to "delay or forego" the deal. Essentially, it is our understanding that if Orbitz cannot match the deal, it does not get it. Many of the "special deals" commonly negotiated between airlines and online travel agencies may therefore not be covered by the MFN clause. In sum, this provision of the MFN, the limitations on the types of fares covered by the MFN, and the fact that many carriers have not become charter associates may mitigate the negative impact on the negotiation dynamics in the market and the effect it may have on price or innovation.

Some competing online agencies argue that Orbitz's economics have set the market price for distribution costs, but that they do not know precisely what these terms are and therefore have difficulty precisely matching them without losing leverage in the negotiation process. These terms are contained in the charter associate agreement and are the same for both owner and non-owner charter associates. Nevertheless, some online agencies have approached airlines directly and have asked for a list of the specific economic terms of the agreement. Carriers responded by citing antitrust concerns and the non-disclosure provisions of the agreement that prohibits them from releasing the terms of the agreement. The Department's review of the documents indicates

that Orbitz's competitors do, in fact, have a good understanding of Orbitz's economic terms and have endeavored to match them, usually within the confines of their business models.

The question now before us is what has been the actual effect of the MFN provision to date in the marketplace and its future implications. It is important to note at the outset that the online travel distribution marketplace is changing very rapidly. The terrorist attacks have had the added effect of interrupting ongoing trends in the marketplace as all travel related businesses have struggled to regain their footing. As a result, if this review were written only one month earlier, several critically salient developments would not have been known. It cannot be overemphasized that the online travel distribution market is still very fluid and no one can predict how it will evolve. New products and innovations of all sorts are being developed that have great potential. Mergers and consolidations currently in progress involving various forms of vertical and horizontal integration are fundamentally changing the competitive dynamics in the industry. What follows is, therefore, very much a "snapshot" picture of a rapidly moving target.

Unsurprisingly, as a new entrant with a unique business model, Orbitz has had an impact in the marketplace. As *Time.com* succinctly stated, "Travelocity and Expedia were until recently the duopoly that ruled the online travel business. Orbitz is making it a three-way fight."[18] Prior to Orbitz, most, perhaps all, Orbitz charter associates only offered their webfares on their own websites. Due to the lower costs of distribution on Orbitz (and its contractual commitment to driving them even lower through technological innovation), these carriers' webfares are available on Orbitz as well as their own websites, giving more consumers greater access to webfares and facilitating easy comparison shopping for webfares.

One charter associate maintains that the MFN provision has had a significant effect on how it offers and sells its inventory and believes that the consumer is disadvantaged by the limitations imposed by the MFN clause because it restricts the carrier's ability to negotiate promotional arrangements with various online distribution outlets. This carrier has exploited opportunities to obviate the MFN provision by offering fares to online agencies' membership bases for which access is limited by password or other protective measures. This carrier believes that, if the MFN clause were removed from the charter associate contract, it would be able to extend exclusive promotional offers to each of the online distribution outlets and that consumers would then have a larger number of low-fare options for the purchase of the airline's services. Further, while it does not seek to hide low fares from consumers, it would also like to be able to limit distribution of its lowest fares to the outlets that afford the most cost-effective distribution to the target audience. Finally, it outlines the conundrum many airlines face: the more outlets through which the company distributes its fares, and the more visible these outlets become, the more likely it is that competitors will match their fares, thereby reducing the uniqueness of the initiating airline's fares.

In recent months, the press has reported that Orbitz charter associates Alaska, American, Continental, Delta, Northwest, and US Airways have reached agreements with major online websites that involve some level of access to webfares. More specifically, Travelocity has announced marketing agreements with Continental, Delta, and Northwest, and Expedia has publicized agreements with Continental, Delta, Alaska, and US Airways. The Department has confirmed these reports and has obtained confidential information about the terms of these agreements. The willingness of some airlines to engage in deals with other online agencies that potentially grant those agencies access to some webfares has produced examples of an interesting

[18] "The 50 Best WebSites" Time.com, April 1, 2002. Vol. 159. No. 13.

competitive dynamic. In one instance, for example, one Orbitz owner charter associate initiated a sale on Orbitz and its own website. An Orbitz non-owner charter associate matched this sale on its own site, Orbitz, and a third online agency site. Another Orbitz owner matched the second competitor's response, broadening the markets included in the sale and extending the availability to other Internet sites. Finally, a third Orbitz owner matched the fare sale on all Internet and traditional brick-and-mortar agencies (by making them open for sale to all GDS users).

In addition to providing some limited level of access to published webfares, Orbitz charter associates have been concluding deals with major online websites for opaque and net fares – fare products that are traditionally much more lucrative for travel agencies than are published fares. Orbitz charter associates have also engaged in some ad hoc deals and promotions with major online travel agencies that Orbitz cannot match. These typically fall into two broad categories: 1) deals involving exclusive fares that also include a targeted increase in market share; and, 2) deals that involve an e-mail marketing campaign to target a number of registered users that exceeds the number of registered users on Orbitz.

While some deals between Orbitz charter associate airlines and other online agencies provide limited access to published webfares at the carriers' discretion, carriers have refused to give Orbitz-like MFN status to other online agencies. There may be a number of reasons for this, such as the following: 1) carriers seek to avoid eroding Orbitz's comparative advantage in the marketplace; 2) owner airlines seek to secure their investment returns in light of an eventual Orbitz initial public stock offering (IPO); 3) other online agencies have not met, in whole or in part, certain aspects of Orbitz's economics and/or business proposition; and 4) airlines are unwilling to commit to greater proliferation of webfares and thereby erode their control over pricing and potential revenue dilution that might result from doing so.

Since the launch of Orbitz, major online agencies have been aggressively pursuing agreements with owner charter associates that would give them the same access to webfares as Orbitz. Major online agencies report they have made offers to the owner charter associates that are equal to or better than the arrangements they have with Orbitz. Nonetheless, until very recently, they contend that no Orbitz owner had made a genuine effort to enter into those agreements and/or had made demands during negotiations that were unrealistic or would jeopardize the financial well-being of the agency (e.g., total GDS rebates alongside zero commissions, technological improvements within short periods of time, an equity stake in the agency). Orbitz's competitors, therefore, reason that these actions, or lack of actions, expose Orbitz's anti-competitive behavior and intent to monopolize the sale of webfares. In recent months (February and March 2002), charter associates, including owners, have made deals with Travelocity and Expedia for the sale of webfares at the sole discretion of the carriers. The agencies complain, however, that, despite their matching (or bettering) Orbitz's terms, their access to webfares has been both limited and sporadic and does not compare to the volume and frequency of webfare availability on Orbitz. They observe that Orbitz's displays often begin with several pages of webfares that are not available to them. The agencies allege that the owner charter associates are only entering into these agreements to appear fair and unbiased in their distribution practices during a time when the regulatory agencies (DOT and DOJ) are investigating them.

The Department is examining the extent to which the online agencies have indeed matched Orbitz's economics. This examination is very difficult for several reasons. First, built into the Orbitz charter associate contract is a fixed, declining ticketing fee schedule over several years. Second, part of the Orbitz business proposition is its firm commitment to develop and implement direct connection technologies, giving carriers additional value that is very difficult to quantify,

particularly when compared with the shorter-term contracts typically concluded between other online agencies and airlines. Third, since other online agencies are structured around the traditional travel agency business model that is based upon supplier inducements and minimal (in most cases no) fees to consumers, agreements between Orbitz charter associates and online agencies typically involve overrides which Orbitz cannot negotiate and the value and cost of which are dependent on changing market conditions. Since most of these agreements are quite new, there is not much data history to evaluate the cost/benefits of these agreements to either the airlines or the agencies and to compare them with the Orbitz arrangement. The comparison is further complicated by the fact that Orbitz is committed to neutral displays, to avoid placing airline advertisements in the air booking path, and other similar measures that are difficult to value and quantify vis-à-vis override commissions and screen presence enhancements that other online agencies typically offer, and had been offering prior to Orbitz's launch.

Orbitz considers the MFN provision a central piece of its business proposition. The fact that it has not been formally invoked does not mean that it is unnecessary from Orbitz's perspective. Indeed, it could simply mean that carriers are abiding by the terms of contracts they have voluntarily signed. Orbitz has previously represented that the MFN clause was, in fact, designed "to facilitate entry by a small player without market share in the face of existing, entrenched competitors and thereby lower distribution costs." Orbitz's access to webfares, neutral display, and technology have contributed to its successful entry in the marketplace. A significant portion of Orbitz's bookings are indeed webfares. A recent study by Thomas Weisel Partners, searched 13 online travel sites (including agents and suppliers) for prices on roundtrip flights in the top-20 markets on two specific dates. The study concluded that:

> (1) Orbitz is able to locate the lowest ticket price more often than either Expedia or Travelocity.com, (2) Orbitz's prices are more than $20 better on average, and (3) the airlines themselves frequently have the best price. The simple story is that airline tickets are a commodity item and Orbitz, more often than not, has the best price. That price advantage should continue to produce market share gains for Orbitz and pressure the other leading agents to move more rapidly toward other travel categories, in which pricing is less competitive and Orbitz does not have an edge. As we have argued in the past, Expedia's focus on the discounted hotel room category positions it well competitively. Travelocity.com has made progress but remains heavily weighted toward ticket sales and has consistently lost market share.[19]

Online agents are following their brick-and-mortar counterparts in concentrating on products such as hotels, rental cars, and cruises which have higher commissions. Travel agents note, however, that air is an important and necessary element in many travel plans and that access to a full range of published airfares is critical to serve customers effectively. While the majority of brick-and-mortar travel agents charge customers service fees for air-only transactions, many online agents have been reluctant to do so because they believe the absence of a service fee induces customers who would normally use a brick-and-mortar travel agent to book online to save the service fee. Online agents further argue that consumers would be harmed if they were forced to reduce their focus on air service and concentrate on other travel elements. They contend that Orbitz is no longer a new entrant and that therefore the MFN provision is no longer necessary and prevents them from bargaining with airlines to get low fares for their clients.

[19] Fuller, Jake. *Survey Says: Orbitz has the Best Prices.* Thomas Weisel Partners, February 6, 2002, p.2.

Orbitz argues that it is still a new entrant and, as such, has a disadvantage in the marketplace. Orbitz notes that its principal competitors, for example, have preferential or exclusive arrangements with the major Internet portals (such as Yahoo!, AOL, MSN, and others) which are important in promoting a new brand in the online environment. Only one of these major portal contracts will expire within the next several years, giving Orbitz and other competitors a chance to place a competitive bid. Online agencies who have these portal arrangements, however, regard them as important, but not central to their businesses. They report that traffic coming to their sites from portals with whom they have agreements is less productive than other traffic (i.e., such traffic has lower conversion ratios) but nevertheless traffic coming through the portals accounts for a significant share of their ticket sales. Regardless of the productivity of the traffic gained through portal deals, such arrangements can substantially contribute to a webite's visibility, name recognition, and database of users, all of which are extremely valuable to a new entrant.

Orbitz contends that its marketing strategy is based on "having the most low fares," in part, to differentiate itself from its competitors and gain a larger customer base to match those of its competitors. However, Southwest and a number of other low-fare carriers continue to refuse to participate in Orbitz as charter associates, discrediting any claim Orbitz could make regarding always offering "the lowest fare" or being a "one-stop" shopping center for every airline's lowest fare. Studies continue to show that most consumers consult on average three websites before purchasing. The best price and the best combination of schedule and price appear to be the dominant drivers of purchasing decisions. While Orbitz may be the third largest online agency, it is far behind in its subscriber base compared to Travelocity and Expedia.

Orbitz has entered a business marked by incumbents enjoying various forms of vertical and horizontal integration. Since Orbitz's launch, the two major incumbents, Expedia and Travelocity, have both become profitable in a market in which all companies are growing because the entire market is growing. Nevertheless, there is a trend toward greater horizontal and vertical integration of both of the major incumbents as well as others. Sabre, the largest GDS operating in the United States, has reacquired complete ownership of Travelocity. Similarly, Cendant has acquired another GDS, Galileo, as well as Trip.com and Cheaptickets.com and plans to relaunch these websites. Given that Travelocity and Trip.com/Cheaptickets.com are becoming the Internet front to their GDS system parents, the GDSs could obtain additional market power and the opposition to alternative technologies that could perform GDS functions at a lower cost could become particularly intense in the online travel agency marketplace. The second component of Orbitz's business strategy – re-engineering some GDS functionality using new, cheaper technologies -- represents a clear threat to the GDSs. Forrester Research, an Internet technology research firm, points out:

> Booking fees' days are numbered. In 2000, 82% of GDS revenues came from booking fees – 87% of which came from airline reservations, which average $4 per segment. By 2006, the GDS firms expect that booking fees will fall to 56% of their revenues, a 32% decline, and that there will be a revenue loss of $1.5 billion just for the three publicly held GDSs, based on 2000 earnings. ... With airlines financially strapped, cash-rich GDSs will take advantage of depressed prices to snag new travel technology firms with the capacity to disintermediate them – as Sabre did with GetThere and Amadeus did with e-Travel, Inc. – to benefit financially from the new IDC [integrated direct connect] environment.[20]

---

[20] Harteveldt, Henry H. The Forrester Report, *Travel: Direct Connect Isn't Enough*, October 2001, pp. 14 and 16.

Meanwhile, Microsoft has sold its controlling interest in Expedia to USA Networks, which plans to integrate Expedia into its multi-media operations. In light of such market developments, Orbitz currently faces two very large competitors with access to substantial resources. Airlines' continued commitment to, and support of, Orbitz is likely to be contingent on Orbitz's ability to reduce distribution costs, which could provide greater competition in the online agency and GDS markets. Orbitz views the MFN provision as a key part of its strategic position in the online travel agency marketplace that is also important to supporting Orbitz's role as technology developer and provider.

If the charter associate arrangements and some of Orbitz's technology are non-exclusive by design as Orbitz claims, they are unlikely to provide sustainable advantages. Recent cuts in travel agent commissions may begin to erode Orbitz's cost advantages, and webfares are appearing on competing websites. Existing major online agencies, unlike Orbitz, have several years of experience in developing a complete range of travel information and services. Their customer databases, substantially larger than Orbitz's, might be leveraged to get even Orbitz owner charter associate airlines to engage in promotions. The cost of customer acquisition for a new entrant to acquire the baseline of customers that is the lifeblood of a travel agency is particularly high for a new entrant in a tough, thin-margin business. Orbitz's competitors may be able to compensate for periods of lower bookings by leveraging the advertising support in their airline marketing agreements to generate incremental transactions using e-mail campaigns. The bigger the database of customers, the greater the market leverage of the online agency. For example, all online agencies (including Orbitz) routinely contact carriers to encourage them to offer promotions on their websites. Agencies with large customer databases are able to offer greater marketing reach to airlines. Any comparative advantage afforded by the MFN clause might be limited over time if airline charter associates offer webfares to other online agencies, as they are permitted to do under their agreements with Orbitz. If other agencies are successful in gaining access to a sizeable volume of webfares based on recently concluded agreements, Orbitz's marketing advantage may be gradually eroded.

Despite the fact that the Orbitz MFN provision gives Orbitz the right to have fares that are put on a third-party Internet site, it does not appear, based on evidence reviewed to date, that Orbitz has access to, or knowledge of, every single deal taking place between airlines and online agencies. Charter associates have a vested commercial interest in keeping competitive information confidential – at least until a special offer is open for sale. However, except for opaque/net fares which airlines do not typically offer on their own websites (and which Orbitz does not offer), airlines rarely if ever put published fare discounts on third-party websites that they do not also offer on their own websites. Hence, any fare offered by an Orbitz charter associate to a third-party Internet agency and placed on the charter associate's own website is automatically covered.

One online agency reported an instance in which an airline gave Orbitz information on an offer made to a competing online agency and one of Orbitz's owners reacted in a way that suggested it had gotten information on the offer. Orbitz itself voluntarily informed the Department of this same incident as the one and only occasion of a charter associate contacting Orbitz to notify it that it had reached an agreement with a competitor for a special promotion that Orbitz would have to match to also receive. It was unclear whether Orbitz would be able to match the deal when it was discovered that the airline intended to distribute the promotional fares on its own website as well and was therefore covered by the charter associate agreement. Like the staff of most online travel agents, Orbitz staff routinely contacts airlines to encourage them to offer new promotional fares. Orbitz has, however, represented that under no circumstances are these issues discussed

with, or presented to the Board of Directors of Orbitz Inc., or the Board of Managers of Orbitz, LLC.

The Department has also monitored Orbitz to determine whether Orbitz is a vehicle for price and/or service collusion or coordination and thereby reduces competition. We have evaluated the technological architecture employed by Orbitz and procedures for its use through site visits to Orbitz headquarters and inquiries with carriers that both participate in Orbitz as charter associates and several that do not. Orbitz continues to use the standard industry fare filings with the Airline Tariff Publishing Company (ATPCO) for all fares it sells. While webfares sold on Orbitz are filed, without exception, through ATPCO, webfares have not, in contrast to other published fares, historically been open to the view of competing airlines through ATPCO. Because webfares could be found on an airline or other online site, Orbitz does not make new information public. Critics of Orbitz contend, however, that Orbitz facilitates collusion by creating a single site for monitoring competitors' webfares.

While Orbitz and some consumer groups contend that Orbitz's display of all webfares of its charter associates in one place facilitates consumer comparison shopping and enhances competition, some online agencies contend that it reduces the charter associates' propensity to conclude clandestine deals with other online travel agents, in part because the risk that competing airlines will match and escalate into ruinous price wars is higher due to the greater visibility of webfare offerings. In addition, smaller airlines in particular have the desire to offer such fares "under the radar" of their larger and more powerful competitors, shielding them from an aggressive competitive response. The ability to offer them only on their own websites provides such "cover," provided that competing carriers do not monitor the website offerings of their competitors. Others contend that Orbitz makes it easier for airlines to monitor the actions of their competitors and thereby has a chilling effect on competition.

The increasing number of opaque fare offerings and the increasing number of online agencies that offer this product provide new outlets to a carrier that seeks to shield itself from a more substantial competitor's response to its fare initiatives. Orbitz itself does not currently offer opaque fares. Other online agencies have developed a "merchant model" whereby they negotiate for net fares from the airlines and then resell them to consumers at a mark-up, or package such net airfares with hotel, car, or other travel elements under one price quotation. While the merchant model does provide airlines opportunities to market opaque fares "under the radar," opaque fares are less attractive to consumers and are largely considered by airlines to be a separate product market from published webfares.

The Department has also examined whether the provision in the in-kind promotional marketing agreements allowing an airline to get a limited amount of credit each year (toward its in-kind promotional support obligation) by offering special fares exclusively to Orbitz has been invoked and what effect it has had. The evidence reviewed to date shows that no Orbitz charter associate airline has provided exclusive fares to Orbitz. All fares provided to Orbitz have, at a minimum, also been available on the charter associate's own website. As a result, this optional provision of the in-kind marketing agreements has not been exercised.

IV. Whether airline-owners of the joint ventures or charter associates have acted in an anti-competitive manner by choosing not to distribute fares through other online distribution outlets

The Airline Perspective

The Department is examining whether the MFN clause as a practical matter keeps airlines from negotiating any special deals with other online travel agencies. Among the reasons cited by the Department in its April 13, 2001, letter permitting Orbitz's launch, we gave three primary reasons why the argument that Orbitz would reduce competition among online agencies by quickly attaining a dominant position in the online agency business and causing irreparable harm was unpersuasive:

> 1) the incumbent online travel agencies enjoy a significant "first mover advantage" and have far more experience in dealing with the online environment, and they continue to bring innovations to the market to compete and differentiate themselves; 2) many carriers (including a number of low-fare carriers) have decided not to become Orbitz charter associates, which means that Orbitz cannot claim to be a one-stop shop for the lowest fares; and, 3) even Orbitz owner and charter associate carriers have a strong economic interest in minimizing distribution costs by serving customers through their own websites (thereby exerting a natural counterbalance) and are therefore less likely to market through Orbitz in a monolithic way.

Airlines continue to drive as much of their total sales as possible through the Internet to reduce costs. Their ability to channel traffic appears to be limited, and most carriers have generally sought to be present in as many Internet distribution channels as possible. This is evidenced by the swiftness with which carriers who cut travel agent commissions to zero reached agreements with the major online agencies to continue selling their tickets through these outlets by adequately compensating them for doing so.

While most carriers seek to sell seats through as many distribution outlets as possible, some carriers prefer to limit the number of distribution channels through which they sell all of their fare products. Southwest and JetBlue, for example, have achieved considerable cost savings by limiting the number of their authorized distribution channels. Interestingly, Southwest tickets are not available for sale in any online travel agency website since Southwest pulled out of Travelocity, which uses Sabre – the only GDS through which Southwest tickets can be booked.

Carriers typically consider a number of factors in developing a comprehensive distribution strategy including the following: whether the distribution outlet's flight/fare display is opaque or non-opaque; the size of the distribution outlet; how the distribution outlet compares with its competitors; the nature of the fares and services offered by other airlines through the distribution outlet; the user profile of the distribution outlet; the distribution practices of competing carriers; the manner of distribution used for competing fare products by other airlines; the impact of more selective distribution practices on the airline's relationships with customers and distributors; and, the impact of distribution practices on the carrier's revenue management objectives.

Even before the advent of the Internet, airlines did not treat all distribution outlets the same with respect to the fares that they are authorized to sell. Travel suppliers have long used consolidators

to sell seats at low fares not available to travel agencies and airline reservations agents. Airlines commonly give favored travel agencies specific access to discount fares and marketing benefits and enable favored agencies to waive some restrictions on discount fares and to book customers on oversold flights. Requiring carriers to distribute all fares through all channels might, in fact, decrease competition in the distribution supply chain. The Department has interpreted the aviation statutes as allowing airlines the same degree of flexibility in deciding how and through what retail channels to sell their services as producers in other industries have, consistent with antitrust principles.

While airlines use webfares to generate incremental revenue, this no longer appears to be their primary purpose. Most airlines view the primary purpose of webfares as a tool to induce consumers to use low-cost channels of distribution and to reduce airline distribution costs. This is a central goal of many airlines' online distribution strategies.

All airlines, but low-cost carriers in particular, want to sell their lowest fares only through their lowest-cost distribution channel, which is invariably their own website. This is a reason cited by many carriers, including Southwest, in explaining why they do not want to participate in Orbitz. For them, the trade-off for putting their webfares on Orbitz as well as their own site increases their distribution costs (even though Orbitz costs are lower than many other alternatives, they are still higher than the airline's own website). Some low-fare carriers give some of their webfares to other online agencies and allow those agencies to add a mark-up and resell them to consumers. Others seek to retain control over the pricing of their product and choose to keep these fares only on their own websites.

Many carriers (including both Orbitz charter associate owners and non-owners) have averred a willingness to expand the availability of webfares to all channels prepared to offer them long-term, low-cost distribution economics and are using webfares as an inducement to obtaining such commitments from a variety of distribution channels. Some industry observers currently estimate GDS booking fees (even for online bookings using a GDS) at $4.30 per segment. Forrester Research notes that, "airlines not only depend on GDSs the most, but they also pay the highest fees – between $12 and $17 for an average ticket, versus $4 to $8 for a hotel booking."[21] Northwest Airlines has estimated that its booking fee costs in 2000 equaled 2.1% of its system passenger revenues.[22] Forrester predicts that integrated direct connect will help airlines cut more than $1.4 billion in distribution costs.[23]

The new ability for consumers to compare and shop different GDSs (which power all of the major online travel booking websites) makes the performance of the GDS even more critical to an airline's success than in the past. This is perhaps particularly true for low-cost carriers which seek to retain their low-cost advantage in the face of rising GDS fees, yet retain the presence of their product on as many virtual shelves as possible. The Department's review of several online agencies reveals substantial differences in the cost of distributing an airline ticket through those channels, even after removing differences between various commissions and override commissions and other variable items in agreements between individual airlines and online agencies.

[21] The Forrester Report, *Travel: Direct Connect Isn't Enough*, p. 5.
[22] *Travel Distribution Report* (June 14, 2001), p. 4.
[23] The Forrester Report, *Travel: Direct Connect Isn't Enough*, p. 2.

Many carriers consider lower booking fees and commitments to bypass the GDSs entirely as important components of their negotiations with online agencies. If their overall strategy is successful, the traditional GDS-dependent distribution channels may become lower cost and make them more competitive. Given this strategic goal, many carriers view lower costs solely on sales of webfares through a normally high-cost distribution outlet to be an inadequate business proposition since it would impair the overall objective of lowering all distribution costs. Presumably, direct connect solutions provided by Orbitz and others will provide online and offline travel agents with additional tools to serve their clients at lower cost to travel suppliers. Direct connect technologies could also prod GDSs to reformulate their supplier-funded, travel-agent-inducement-driven pricing paradigm that shields booking fees from competitive discipline. Forrester Research contends that:

> Direct connect lets more Web agencies sell Web-only fares. The airlines don't sell their Web-only fares beyond their own sites and Orbitz because of GDS booking fees and agencies wanting commissions on these sales. Because direct connect helps eliminate the GDS fees, revenue-hungry airlines will allow more Web agencies, like Trip.com to sell these fares.[24]

Many Orbitz charter associates argue that the MFN provision has not had a significant impact on how they offer and sell their inventory. The Department's initial review has shown that Orbitz still has the lowest distribution costs of the online agencies, though some agencies have worked hard to achieve parity in contracts with Orbitz charter associate airlines, within the confines of their business models. However, the lowest-cost distribution channel is still the airlines' own websites and it should not be forgotten that prior to Orbitz, airlines did *not* consistently offer webfares through any online agency. Orbitz charter associate airlines have retained tools, such as frequent flyer promotions for bookings on their own websites, to enhance the appeal of their airline sites vis-à-vis Orbitz. If the MFN clause were removed from the agreement, it is possible that airlines would once again only offer webfares through their own sites. If so, it is also possible that those own-website only fares would be lower than those that today must also be offered to Orbitz. If that were the case, online agencies such as Travelocity and Expedia would not be guaranteed access to the fares they claim the MFN provision is keeping from them.

If the MFN provision were revoked and airlines believed they would lose revenue by *not* continuing to offer webfares through online agencies (and this is possible as consumers are being educated and encouraged by the airlines, and the online agencies themselves, to search online sites for low fares), they would probably continue to do so. If that were the case, they would likely offer webfares only through the online agency or agencies providing the airlines with the highest revenues net of distribution costs. Competition to gain access to these webfares could increase, as could the proclivity of airlines and online agencies to engage in exclusive arrangements. Orbitz maintains, however, that it relies on the MFN provision to guarantee its access to webfares without the pressure to conclude override agreements that would threaten its contractual commitment to unbiased displays.

Online agencies argue that they promote airline competition by providing carriers advertising and other "screen presence" opportunities to market their services on their agency websites. They argue that such marketing arrangements have contributed to increasing market share for smaller airlines vis-à-vis their larger competitors. One GDS contends that booking data show that smaller carriers in fact have a greater share of total bookings on other online agencies than they do on

---

[24] The Forrester Report, *Travel: Direct Connect Isn't Enough*, p. 19.

Orbitz. The limited data submitted to the Department by that GDS are insufficient to support such a conclusion. One low-fare carrier reports that its share of bookings on Orbitz is representative relative to the carrier's overall market share and Orbitz's size. Another low-fare carrier notes that the ability to run promotions on all major online agencies is important to its distribution strategy. A third low-fare carrier observes that lowering distribution costs is critical and, as the carrier keeps pressing for better terms in the face of rising distribution costs even online, it may have to strike a comprehensive exclusive marketing deal with only one of the larger online agencies to achieve substantial cost reduction. The carrier further expresses concern with the level of GDS fees.

National Airlines, a small low-fare carrier, states that, "...by providing an unbiased display of all airline flights and fares, Orbitz allows us for the first time to have a fair shot and gives consumers what they want: a comprehensive and unbiased listing of their travel options." National Airlines also notes that "Orbitz is creating a downward pressure on booking fees that has never existed before, pressure that is resulting in savings for big and small airlines alike and that will be, to a certain extent, passed on to air travelers."[25]

The Online Agency Perspective

From the perspective of online travel agencies, webfares are important because they are, or are perceived to be, significantly lower than other fares and they attract traffic to the sites and drive higher conversion ratios (the percentage of consumers who purchase an airline ticket compared to those who simply look). One major carrier notes that its analysis shows that webfares are perceived to be dramatically cheaper fares, but are not. The additional discount is simply sharing a portion of the distribution cost savings with the customer. The same or even additional restrictions are included in exchange for a lower price. Some airlines maintain that webfares do not undercut corporate travel programs since they are heavily restricted and similar fares are available in the GDSs. One carrier believes that published fare sales with accompanying online incentives are the primary drivers of channel shift and that online incentives associated with published fare sales drive the vast majority of revenue booked through various websites.

"Webfares," or "E-fares" as they were most generally referred to prior to Orbitz, were defined as fares available only on the airline's own website and were offered only on last-minute weekend trips. With the launch of Orbitz, although not necessary due to the launch of Orbitz, the definition of "webfare" began to expand, as did the amount of inventory available to the general public. As it stands today, the only common denominator in airlines' diverse definitions of "webfare" is that it refers to one or more fares available on its own website and not available for purchase through the airline's reservation center or other non-web based distribution channels. To the consumer, however, names like "webfare," "e-fare," and "supersavers" are synonymous with "lowest fare" and attract them to shop on a website that offers them.

The preponderance of webfares is a significant factor in determining whether and the extent to which other online agencies are harmed by airline reluctance to give them full access to webfares. The greater the volume of webfares, the more difficult it will be to attract price-sensitive customers to websites with limited or no ability to sell them. When the Department last publicly commented on its monitoring of Orbitz,[26] webfares (or weekend webfares as they were then

[25] Letter of Michael J. Conway dated April 16, 2001, addressed to Secretary Norman Y. Mineta, p. 2.
[26] DOT letter signed by Susan McDermott and Samuel Podberesky addressed to Jeffrey Katz dated April 13, 2001, p. 7.

commonly known) accounted for only a small proportion of total inventory available for sale – reportedly less than one tenth of 1% of all fares an airline offers. Webfares were, at that time, normally made available only a few days before flight time, only on flights which had an unusually high number of empty seats, and were available for sale only on a carrier's own website. They were rarely available in most markets, were not predictable, and were offered at prices so low that airlines typically wanted to distribute them through the lowest-cost channels possible. While the latter condition still applies, the former conditions have changed significantly in that webfares are now substantially more prevalent in the marketplace, making access to these fares even more important to Orbitz's competitors. There may be several explanations for this. The economic downturn followed by the terrorist attacks of September 11th caused airlines to discount much more inventory in order to attract customers and to do so at minimal cost. The trend in webfare availability, however, has not been stable throughout the period. The launch of Orbitz (and various promotions of the Orbitz participants) coincided with the decline in travel through the summer of 2001. The September 11th disaster followed closely thereafter. During the spring of 2002, it appears that webfares are beginning to stabilize at lower levels, but as carriers add capacity back into the market, restoring service cut in the wake of September 11th, the quantity of webfares offered may spike up once again.

The data routinely reported to the Department do not allow us to determine how many tickets sold industry-wide were sold at webfares. PhoCusWright reports that webfares represent less than 2% of an airline's total ticket sales.[27] Anecdotal evidence obtained as part of our efforts to monitor Orbitz suggests that tickets sold at webfares, including opaque webfares, vary widely by carrier and month. One carrier notes that they roughly account for about 4% of its passengers, while another carrier reports that they represent 6% of its passenger revenue. Another carrier's webfares (including opaque fares) represented 2.7% of revenue and 7.2% of passenger segments for the period January 2001 through February 2002. A third carrier reports that, excluding opaque webfares, published webfares account for an average of 2% of system-wide tickets of the past 14 months and 2.5% of system tickets since June 2001. A fourth carrier notes that webfares available for purchase on its own website (excluding opaque fares, which are not available on its own website), but not available through its reservations agents, make up less than 5% of the carrier's total online sales and less than 1% of its overall sales.

The percentage of tickets sold at webfares is highly variable and dependent on a number of market and carrier-specific conditions. Despite their relatively low share of total tickets sold through all distribution channels, they account for a higher percentage of fares booked online. Webfares are clearly important in attracting customers to a website. It is unclear whether the number of webfare tickets sold as a percentage of total tickets sold will stabilize at current levels, increase, or decrease.

Conclusion

The Department of Transportation has identified three principal questions raised about Orbitz: 1) whether Orbitz (and particularly its MFN provision) substantially reduces charter associate carriers' incentives to offer low fares through other online travel agencies, even if these agencies match the terms offered by Orbitz; 2) whether the owner (and other charter associate) carriers could use Orbitz as a vehicle for price and/or service collusion or coordination and thereby reduce

[27] *Airline Web Sales Soar Despite Sour Year*, PhoCusWright, Inc., May 2002, p. 3.

competition; and, 3) whether Orbitz has achieved a dominant position in the online agency business and threatens the ability of other online agencies to compete. The observations in this report illustrate the issues and developments under consideration in making determinations on each of these three primary issues from the perspective of the Department of Transportation.

By its very existence as part of a new and integrated business model, the Orbitz MFN provision has clearly affected the marketplace. The challenge for the DOT is to definitively determine its effect on the marketplace in light of legal standards under 49 U.S.C. 41712 which incorporate antitrust laws and antitrust principles. To date, Orbitz has had some pro-competitive effects in the marketplace and has brought some benefits to consumers. Orbitz could, however, evolve in ways that could harm airline competition and the potential for concern still exists. In particular, the Department is concerned about the potential that the Orbitz MFN provision could discourage selective discounting and other direct marketing initiatives through various distribution channels. Although Orbitz appears to be committed to continually reducing its distribution costs, charter associates may be reluctant to offer a greater quantity of low-fare products given their obligation to also place them on Orbitz, since Orbitz's distribution costs – while low – are higher than carriers' own websites. Furthermore, although Orbitz claims that the MFN provision requiring airlines to give Orbitz fares that it offers third-party online travel provider websites even if it does not offer these fares on its own website (provided that Orbitz can match the terms of those agreements) has not been invoked, airlines may change their distribution strategies and seek to offer such deals exclusively to third parties. In this and perhaps other instances, the MFN clause could potentially have a negative effect on airline competition.

Reaching any determination in this area is complicated by the fact that both the airline and the online travel agency businesses are changing very rapidly. Businesses in both sectors are fundamentally re-evaluating both the revenue and the cost sides of their businesses due to changes in the travel industry since September 11th. Government intervention in the marketplace should be designed to correct a failure of market forces, not to replace or pre-empt them in ways that could potentially stifle innovation.

The Department will continue to consult with the Justice Department as we monitor and evaluate concerns about Orbitz in the context of rapid changes in the airline distribution business. In the meantime, the Justice Department will complete its antitrust review of Orbitz. Because that review has not been completed, we refrain from reaching definitive conclusions in this report on the effects of Orbitz on competition in the airline and airline distribution businesses.

APPENDIX: ORBITZ CHARTER ASSOCIATE AIRLINES (as of March 31, 2002)

U.S. AIRLINES

Alaska Airlines
Aloha Airlines
American Airlines
Continental Airlines
Delta Air Lines
Hawaiian Airlines
Midway Airlines
Midwest Express
National Airlines
Northwest Airlines
Spirit Airlines
United Air Lines
US Airways

FOREIGN AIRLINES

AeroMexico
Air France
Air Jamaica
Air New Zealand
All Nippon Airways
Asiana Airlines
Cathay Pacific
China Airlines
COPA Airlines
CSA Czech Airlines
El Al Israel Airlines
EVA Air
Finnair
Iberia Airlines
Japan Air Lines
KLM Royal Dutch
Korean Air
LanChile
LanPeru
LOT Polish Airlines
Lufthansa
Mexicana Airlines
Qantas Airlines
Scandinavian Airlines
Singapore Airlines
South African Airways
Uzbekistan Airways
VARIG Brasil
Virgin Atlantic Airways