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**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.**

DEPARTMENT OF TRANSPORTATION

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DOCKET SECTION

Advance Notice of Proposed Rulemaking:
Computer Reservation System Regulations;
Notice 97-4

Docket OST-97-2881 - 25

**COMMENTS OF REED ELSEVIER, INC.,
DBA
TRAVELNET**

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December 9, 1997

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Reed Elsevier, Inc., dba TravelNet (hereinafter "TravelNet") is pleased to have this opportunity to provide comments to the Department at the advance stage of this rulemaking proceeding. TravelNet is a third party software provider of corporate booking tools and has benefited from the adoption of Section 255.9 in 1992. However, the CRS business has evolved substantially since then and Section 255.9 should be revised to reflect the current competitive state of the industry. Over the past few years, vendors have vertically expanded into the same ancillary software businesses that were the sole province of third party providers. They have also adopted policies which favor their own products and discriminate against third party competitors. TravelNet believes that the Department should adopt anti-discrimination provisions that would preclude vendors from unjustly tilting the

competitive playing field in favor of their own ancillary products. In support of these comments, TravelNet states as follows:

**I. TRAVELNET PROVIDES IMPORTANT
BENEFITS TO AIRLINES AND CORPORATIONS**

TravelNet was created in 1991 by John Shoolery, who developed the concept of desktop reservation tools for corporate travelers while conducting an R&D project at Apple Computer. His original idea has now evolved into an Internet product that operates in conjunction with major CRS's. TravelNet was acquired by Reed Elsevier, Inc. in January, 1997, and is now part of the Reed Travel Group, in the same family as the Official Airline Guide, Travel Weekly, and Hotel and Travel Index. Mr. Shoolery continues with TravelNet as Senior VP-Business Development.

TravelNet's product is a corporate planning, booking, and information system designed to integrate corporate travel policy into the actual reservation process, ensuring that transactions are made in accordance with the requirements of the Company. It utilizes both the Internet and direct links to CRS vendors. Accessing TravelNet servers via a browser, corporate employees use their own personal computers to plan their travel requirements. They are linked to TravelNet's servers via the Internet or a corporate Intranet. TravelNet queries the CRS database via a direct line and obtains any necessary schedule, availability, and fare information. It simultaneously searches its own databases and then integrates the CRS data with the corporate travel policy and the company's negotiated rates to create recommended

itineraries for the user. After the user confirms acceptance of an itinerary, TravelNet creates a complete passenger name record (PNR) in the CRS. TravelNet reduces the processing burden on the CRS by creating trip plans offline. After booking in the CRS, the finished PNR is forwarded (i.e. "queued") to the corporation's designated travel agency for further processing and ticketing.

TravelNet sells its product directly to corporations and through designated travel agencies. It has also a contract with a major agency, which offers the TravelNet product as a corporate booking tool under its own trade name. In both cases, information requests and booking messages are routed to the CRS via TravelNet's servers. TravelNet intends to work with all CRS's. At present, its product works with SABRE and Apollo, and its WORLDSPAN version is in testing. For specific transactions, it may use whichever CRS its corporate client or its travel agency desires. The TravelNet architecture will also allow direct booking in internal reservation systems of airlines, rental cars and hotels, although this feature is still in the developmental phase.

TravelNet's ability to work with multiple CRS's serves an important goal of §255.9. Since corporations and their travel agencies can use the TravelNet system to access different CRS's, they can change CRS vendors with a minimum of disruption. Moreover, as booking fees increase, the ability to book directly in carrier internal systems will be one of the few ways of introducing marketplace discipline into the CRS-carrier relationship.

The Department has already found that TravelNet's functionality will enhance airline competition:

Allowing agencies a greater ability to use multiple systems could also reduce the ability of carriers to use their dominance of regional airline markets as a tool for gaining dominance of regional CRS markets. If agencies had easier access to different systems, moreover, more competition for subscribers would exist and that would encourage vendors to improve the functionality of their system, a development that may strengthen airline competition. (Notice of Proposed Rulemaking, 56 FR 12586, 12590, March 26, 1992)

We find that eliminating the vendors' unreasonable restrictions on the use of third-party hardware and software and on using a CRS terminal to access other databases will promote competition in the CRS and airline industries, enable agents and travelers to obtain more accurate and complete information on airline services, enable travel agencies to operate more efficiently, and promote technological innovation. These benefits can be obtained, moreover, without imposing any obligations or costs on the vendors. And a rule establishing the agencies' right to use third-party hardware and software should reduce the need for detailed regulation of other CRS issues. (Final Rule, 57 FR 43780, 43788, October 22, 1992)

II. THE CRS VENDORS ARE EXPANDING VERTICALLY INTO THE CORPORATE BOOKING TOOL BUSINESS

TravelNet, of course, is not alone in providing corporate booking tools. It competes with several other third party software providers, including Internet Travel Network, E-Travel,

and American Express' AXI (developed by Microsoft). TravelNet also competes with corporate booking tools offered by the CRS vendors themselves.

SABRE's product is called Business Travel Solutions (BTS), which it sells directly to corporations. It was released in September, 1996 and has been supported by an extensive marketing campaign.

Galileo's technology has been offered to the corporate market by United and US Airways, the two former airline owners of the former Apollo Travel Services (ATS). Apollo has recently been sold by the airlines to Galileo. However, United and US Airways continue to market the Galileo technology under the names United Connection and U.S. Airways Corporate Travel Works. More recently, Galileo has announced a corporate booking tool called Travelpoint. Unlike SABRE, Galileo does not plan to market its product directly to corporations, but only through its Apollo travel agency subscribers.

WORLDSPAN has also recently announced a corporate booking product called Trip Manager. Like Galileo, WORLDSPAN does not plan to market its products directly to corporations, but only through its WORLDSPAN travel agency subscribers.

Amadeus/System One has also recently announced a corporate booking tool for its agency subscribers called Corporate Traveler.

III. THE VENDORS HAVE INHIBITED THE ABILITY OF TRAVELNET AND OTHER THIRD PARTY VENDORS TO COMPETE WITH THEIR CORPORATE BOOKING TOOLS

Vendors have gained a competitive advantage over third party providers of corporate booking tools because they have been unwilling to provide one key element of functionality which is essential in order to compete effectively with the CRS products. If this situation is not remedied, the CRS vendors will be able to leverage their market power in the CRS business into control of the downline market for corporate booking tools.

Based upon TravelNet's information and belief, the CRS vendors are discriminating against third party systems by refusing to provide them with "structured data," while providing such data to their own downline products. This creates significant operating efficiencies for the vendors' systems, while third party systems are relegated to the archaic and error-prone "screen scraping" method of collecting information.

To understand the importance of this, it would be useful to explain the two methodologies. Screen scraping is quite inconvenient and costly. Under this method, the recipient of data must create a map of where specific items of information will be located on the CRS computer screen. When it receives information, such as an availability or fare display, it takes an electronic picture of the screen and analyzes the picture to determine the location and content of specific items of information. A particular problem of screen scraping is that vendors often change screen formats without notice, which leaves the recipient unable

to collect the data off the screen. Screen scraping is also time consuming because it is often necessary to scrape numerous screens in order to collect all the schedule or fare information relevant to a particular reservation. TravelNet must engage in screen scraping to get essential information for the reservations transaction, including schedules, availability, and fare data.

In contrast, the use of structured data is much more efficient. Under this methodology, the recipient is provided the data in formats -- tables showing where in a stream of data, specific information will be located. The Department is familiar with structured data because it provides the industry with the O&D database in structured data formats. Once the structured data is transmitted, the recipient can easily manipulate the information to provide an efficient response to its consumers.

Some of the vendors have refused to provide structured data to third party developers of corporate booking tools. While WORLDSPAN and Amadeus have recognized the importance of structured data and have offered it to third party providers, SABRE and Galileo are apparently unwilling as yet to provide such data, but have made it available to their affiliated products. For instance, the "United Corporate Connection" product uses structured data from Galileo.

If TravelNet is denied the use of structured data, it will be at a competitive disadvantage vis-a-vis the corporate booking products offered by CRS vendors. There are certain fare, schedule and other advanced features which are only supported by structured

data, and thus simply would not be available via screen scraping. In addition, the testing TravelNet has done to date with WORLDSPAN's structured data indicates that there is a measurable improvement in the response time compared to screen scraping. In terms of appeal to the end user, response time is an obvious competitive feature.

TravelNet wants to be treated equally with other providers of corporate booking tools. If a system provides structured data to its affiliate, TravelNet believes that the data should be made available in the same formats to the affiliate's competitors.

Moreover, structured data is only the current issue. In the past, there have been other areas of discrimination, most of which have been resolved with the vendors. In the future, the CRS vendors will continue to have every incentive to discriminate in favor of their own ancillary CRS products, such as corporate booking tools.

IV. THE DEPARTMENT SHOULD FORBID DISCRIMINATION BY VENDORS AGAINST THIRD PARTY PROVIDERS OF CRS-RELATED SERVICES & SOFTWARE

The structured data issue shows that CRS vendors can use their control over the CRS product to disadvantage their competitors in the downline market for ancillary products. The Department must be concerned that, if vendors can dominate the downline markets, their market power as CRS's will only be strengthened. If the CRS's can disadvantage competitive

alternatives, there will be less possibility that airlines will be able to develop alternative booking channels and avoid exorbitant CRS booking fees.

One of the most important additions to the CRS rules in 1992 was §255.5, which forbids vendors from discriminating between their owners and other carriers in offering service enhancements. Similarly, §255.7 was added to require each system owner to participate in each other system and each of its enhancements to the same extent that it participates in such enhancements in its own system. The same principles of non-discrimination should apply to competition between systems and third party providers. Where systems offer ancillary service such as Internet-based reservation systems or corporate booking tools, they should not be allowed to withhold essential information from competitors of their ancillary service, or to place them at a competitive disadvantage by refusing to cooperate with them. In essence, vendors can leverage their market power in the provision of basic CRS service into a competitive advantage in the downline market. This should not be allowed.

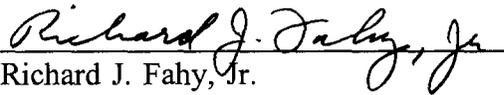
TravelNet, therefore, proposes that §255. 9 be amended as follows:

- ▶ Subsection (d)(2) should state that nothing in the section should be construed to require any system or system owner to "provide service or support with respect to any product, device, hardware, software, or service not provided to a subscriber by the system or system owner, unless the vendor provides similar products, devices, hardware or software to subscribers or their clients. "

- ▶ Add a subsection that states "no system or system owner shall discriminate against any provider of third party hardware, software or services if it provides similar or competitive hardware, software or services itself, or contracts with or endorses a particular third party provider of such services. Systems shall provide the same information, in the same formats and with the same promptness, to third party providers as they provide to their own competitive products or services."

If the above language is adopted, the Department will have eliminated the ability of CRS's to discriminate against their third party competitors and created a level playing field in the sale of corporate booking tools.

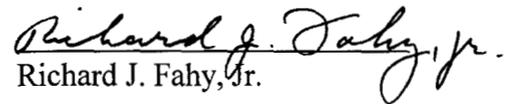
Respectfully submitted,


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December 9, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have on this day served a copy of the foregoing document upon all persons named on the attached service list by causing copies thereof, postage prepaid, to be mailed to each of them.


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December 9, 1997

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