

BEFORE THE  
U.S. DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION  
DOCKET SECTION

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**QA 29463**

AMERICA WEST AIRLINES, INC. )

for Amendment of part 255 of the )

Department's Economic regulations to Limit )  
CRS Vendor Charges to Booking Fees for )  
Actual Travel and Permit Termination of )  
Passive Bookings by Participating Carriers )

Docket OST-97-2881-29

Advanced Notice of Proposed Rulemaking )

COMPUTER RESERVATION SYSTEM )  
(CRS) )  
REGULATIONS )

Docket OST-97-2881-29

COMMENTS OF ALITALIA AIRLINES

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December 9, 1997

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**December 9, 1997**

**COMMENTS OF ALITALIA AIRLINES**

Alitalia-Linee Aeree Italiane-S.p.A. ("Alitalia") files the following comments in response to the Department's notice of November 7, 1997, requesting comments on the Petition for Rulemaking filed by America West Airline, Inc. ("America West") proposing two new rules to amend the Department's CRS rules (14 CFR Part 255).

The proposed rules would limit Computer Reservation System ("CRS") vendor charges to booking fees for actual travel and authorize participating carriers to prohibit a CRS vendor from permitting passive bookings on its system.

For the reasons set forth in the Petition filed by America West, Alitalia fully supports America West's request that the Department immediately issue a notice of proposed rulemaking for two regulations that would: (1) limit CRS pricing practices to charges for bookings that result in actual travel; and (2) enable a participating airline to prohibit CRS vendors from allowing travel agents to make passive bookings on that airline. Issuance of these proposed rules would substantially reduce Alitalia's distribution expenses by reducing charges for bookings made by travel agents to meet productivity quotas or to provide special benefits to customers, which give no benefit to the airline that is forced to pay for these bookings. Significantly, elimination of these practices would also reduce inventory spoilage and overbooking situations which often are a direct result of these booking practices and which directly harm our passengers.

Abusive bookings in Alitalia experience constitute a significant portion of the total cost of CRS distribution. Alitalia has tried on several instances with the four leading CRS operating in the U.S., namely Sabre, Galileo/Apollo, Worldspan, and Amadeus/System One, to get support to recover excessive and unjustified costs derived from CRS incentive schemes on bookings that create abusive and duplicate bookings, but with no success.

Alitalia, like most carriers, has no negotiating leverage on booking fee levels which, due to the nature of participation agreements with CRS, are unilaterally fixed and can be raised yearly by CRS's up to 10/12% every year with little if any cost increase justification and relation.

Several CRS do not recognize any credit request by airlines for abusive or duplicate bookings performed by agents for meeting incentive schemes targets. Some CRS simply tell airlines to recover costs of these bookings directly from agents concerned. Alitalia has invested heavily in equipment, software audit and human skills to detect abusive and duplicate bookings by agents, but if CRS refuse to modify their incentive policies based on segments volumes and at the same time, do not recognize any request of refund from airlines, all these investments find little if any economic return.

Alitalia, being a CRS minority owner, is obliged by existing rules to participate in all CRS, but has no power to negotiate any part of participation agreements. At the same time credit request policies are unilaterally established by CRS with no leverage given to individual carriers.

We list hereunder some figures concerning costs sustained by Alitalia for the categories of abusive/duplicate bookings and passive segments.

1996 Duplicate/abuse bookings	550,000
Value	\$ 1,900,000
Passive bookings (11% of total)	2,600,000
Value	\$ 8,300,000

These same comments have been expressed and filed by Alitalia and other European carriers in the context of consulting with European Regulatory bodies, in order to modify European Code of Conduct on CRS.

Alitalia is also concerned that abusive practices may expand with new distribution channels via the Internet or similar online service providers which are linked with CRS, where carriers are charged booking fees for transactions/bookings made by individual consumers. Alitalia will comment on this issue after reviewing the initial comments of other interested parties.

## CONCLUSION

For the reasons set forth above, Alitalia urges the Department to adopt the changes to the CRS regulations requested by America West.

Respectfully submitted.

A handwritten signature in black ink, appearing to read 'Francesco Gallo', written over the printed name 'ALITALIA AIRLINES'.

ALITALIA AIRLINES

Francesco Gallo  
Comptroller  
North America