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United States
General Accounting Office
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Resources, Community, and
Economic Development Division

B-247612

June 9, 1992



The Honorable Joseph I. Lieberman
The Honorable John McCain
United States Senate

In your letter dated June 4, 1992, you asked us to clarify the recommendations concerning computer reservation systems (CRS) contained in our March 1992 report, Computer Reservation Systems: Action Needed to Better Monitor the CRS Industry and Eliminate CRS Biases (GAO/RCED-92-130, Mar. 20, 1992). Your letter noted that some parties have interpreted our report to mean that the GAO is recommending further data collection and study before any CRS reforms are implemented. This interpretation is incorrect.

Our March 1992 report contained two recommendations. First, we recommended that the Congress direct the Secretary of Transportation to revise the Department's existing CRS rules to require that each CRS vendor eliminate those functional differences between host and participating airlines that can be eliminated without dehosting. Second, we recommended that the Secretary of Transportation gather data on the CRS industry, the reliability of communication links, and the costs and benefits of dehosting CRSs.

On the basis of our discussions with CRS owners and participating airlines, as well as our observations of CRS operations, we believe that some remaining functional differences can be eliminated at a reasonable cost, independent of dehosting. Such differences include those resulting from programming or procedures that make it more efficient to book flights or obtain information on host airlines. CRS vendors agree that these differences, to the extent they exist, should be eliminated. The vendors have stated that they are acting to eliminate some of these differences to remove any possible adverse competitive effects as well as the perception that participating airlines operate under a competitive disadvantage. We recommended that the Congress act to ensure that the vendors follow through on their plans to eliminate such differences.

GAO/RCED-92-225R, Computer Reservation Systems

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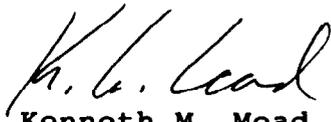
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We do not believe that the Department needs to gather any additional information before implementing this recommendation.

We did not recommend dehosting at this time because the Department of Transportation has not collected recent data that would allow us to assess the costs and benefits of a dehosting requirement. We were unable to confirm whether dehosting would provide significant benefits over an equal functionality requirement, the subject of our first recommendation. Specifically, there is no consensus on the cost of dehosting to CRS vendors, airlines, and passengers. Also, data on the reliability of communication links and travel agent behavior are needed. Finally, the impact of recent changes in the CRS industry, such as technological advances and ownership diversification, should be assessed before we make a recommendation concerning dehosting.

In our March 1992 report, we were asked to focus specifically on the issue of architectural bias. In previous reports and testimonies, we have addressed other CRS issues, such as the travel agent/vendor relationship and the level of booking fees charged to participating airlines. In our previous work, we have discussed options to address these issues, such as placing restrictions on booking fees, reducing the maximum length of subscriber contracts, and regulating certain contract provisions.

I hope this clarifies our recommendations. If you or your staff have additional questions, please contact me at (202) 275-1000.



Kenneth M. Mead
Director, Transportation Issues

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