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RE: Enhanced Airline Passenger Protections – Docket No. DOT-OST-2010-0140 – Comment

I am a faculty member at Harvard Business School, where my research and teaching consider market structure, incentives, and pricing in networked businesses. My relevant writings include a teaching case on recent issues in airlines' distribution strategy, focusing on airlines' surprisingly large distribution costs, the structure of the GDS market, and prospects for improved efficiency in this area. See *Distribution at American Airlines (A), (B), and (TN)*, Harvard Business Publishing Case 909-035, Supplement -036, and Teaching Note -059.

I write in regards to the proposed requirement of compulsory disclosure of airlines' additional services (checked bags, seat assignments, food, and otherwise) through global distribution systems (GDS).

The DOT's call for full and timely disclosures is sensible and well-taken, for reasons that the DOT well articulates. That said, I worry that requiring disclosure of these fees through GDS's could have unexpected side effects. In particular, GDS's provide services to airlines pursuant to long-term contracts with defined services and defined costs. If DOT requirements compel airlines to purchase new services from GDS's, including services not contemplated when airlines signed current contracts with GDS's, GDS's will be able to demand high charges for those new services. A GDS could impose unreasonably large charges for the required new services, knowing that the airline has little realistic choice but to pay. Such charges would be an unintended and, in my view, ill-advised transfer of wealth from airlines to GDS operators.

Let me offer three alternative approaches that improve the information available to consumers about additional service fees, while reducing negative side effects:

- As the DOT suggests, airlines could use their own web sites to present information about additional service fees – achieving some of the same benefits as in-GDS presentation without the prospect of opportunistic charges from GDS's. Airlines can modify their web sites easily and with minimal expense.
- Require that airlines post their fees for additional services in a machine-readable format, on their web sites or otherwise, but in a decentralized fashion not requiring GDS intervention, assistance, or payment. Then all online travel intermediaries wishing to (or required to) present information about such services and fees could consult these machine-readable disclosures, reducing ongoing costs and allowing quick updates. Absent a de facto industry standard, a further rule-making could establish data formats – perhaps XML.
- Require that airlines contract with GDS's to distribute information about additional service fees, but delay that requirement to take effect only when each airline's contract with each GDS is next renewed. Then airlines could negotiate for the required new services on a fair footing, without GDS's enjoying an undue advantage by reason of airlines' urgent need for the new services.

I appreciate your efforts on behalf of airline passengers, and I hope these comments can be of assistance.

Regards,
/s/
Benjamin Edelman