

Testimony of

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before the

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My name is Jeff Katz, and I am President, and CEO of Orbit, and Chairman of its Board.

Orbitz is an Internet start-up company. At present we have 15 employees. Two months ago we had 8. We represent new competition, using new technology, in a new effort to present Internet consumers what they want: comprehensive and unbiased travel information. In that effort we will compete against one of the most dominant and entrenched companies in the American economy: Sabre, the largest Computer Reservation System in the world, and Sabre's Internet arm, Travelocity. They have approximately 11,000 employees

We have found ourselves in recent weeks the victims of a misinformation campaign, and we simply have not always had the resources both to build our new service and to respond to every attack. We therefore thank you for this opportunity to put the facts on the table.

It is a bit ironic for me to be sitting here, as a former head of Sabre's CRS division, on behalf of Orbitz. Let me take a moment to discuss why Orbitz exists, and why I am here.

Travel is at the heart of what e-commerce is all about. More travel is sold on the Internet than any other category of product. Online travel will probably hit \$20 billion in revenues this year, not counting Orbitz. Whether consumers will use the Internet to buy travel is not a question to be decided – it has already happened. The question is simply how much choice consumers should have when they use the Internet to buy travel, and how much competition should there be for their business?

Internet travel should be very open to competitive entry. The CRS industry is not, because it has its users, the travel agents, under highly restrictive, long-term contracts that effectively deny most of them any possibility of switching to another CRS or using an additional CRS. But the Internet is not like that. No user is under contract. Any user can switch to any other site at the click of a mouse.

What we have today, however, is an unfortunate situation where two extremely dominating companies have moved in and established a very potent duopoly in Internet travel, and both have done so with CRS-based Internet sites.

One is Sabre/Travelocity. Sabre is the largest CRS in the world. By itself it controls 46% of CRS bookings. It takes the position that the CRS rules do not even apply to Sabre. The other is Microsoft/Expedia. Neither Sabre nor Microsoft has a record of being shy about establishing market dominance and exercising that dominance aggressively. Between them they have wrapped up, through exclusive deals and mergers, 70% of the business of offering multiple airline schedules to consumers over the Internet. And they have nailed down deals with the likes of AOL, Yahoo, and MSN giving them exclusive distribution to 90% of all portal visitors to the World Wide Web. Having purchased their largest competitors and locked up the major portals, these two dominant sites are now sitting on a marketplace that is expected to quadruple over the next four years.

It is this very powerful duopoly that we are attempting to provide some new competition to. We think consumers deserve to have more choice and more competition than just two major players in Internet travel. If you think there is an anti-competitive problem in Internet travel, you are absolutely right. And Orbitz is part of the solution to that lack of competition.

We absolutely understand how difficult it will be for us to break into a business so dominated by two CRS-based Goliaths. What we find hard to grasp is how Sabre/Travelocity in particular can look down on us from their lofty and entrenched position and claim that we are bullying them! We think it is clear that they are simply trying to use government to block any new competition.

What we have to do to break into this highly dominated business is clear.

First, we believe we absolutely have to provide consumers with absolutely comprehensive, absolutely unbiased searches and displays of airlines, flights, and schedules. In response to a consumer request we will show more airlines, more flights, and more fares than any existing CRS-based Internet site. And unlike any CRS-based website, we will search all airlines, all flights, and all fares before displaying any.

When I say we will be unbiased, I do not mean simply that we will comply with the existing CRS rules on display bias – we will go well beyond that.

Our objective is to provide absolutely unbiased display of every airline's flights and fares, whether they are investors in Orbitz or not, and whether they are associates of Orbitz or not. We want every airline to be fully and equally displayed in Orbitz, and we want Orbitz to treat every airline the same.

We do this not simply out of charity or good will, but because we have to provide that level of quality information if we are to have any chance of winning consumers away from these two dominant websites that have exclusive positions on the portals most consumers use. We have to do a better job of giving consumers what they want, or they will never make the extra step it takes to use our website. It's that simple. And so we have written the guarantee that we will provide absolutely unbiased displays, exactly the same for all airlines, big or small, new or old, into our contracts with each airline, whether they are investors or not. We are now absolutely obligated to be unbiased. Travelocity is not. No CRS-based website we know of has that obligation.

Second, we are providing that comprehensive and unbiased display by building an all-new technology for searching and displaying airlines, flights, and fares. Rather than using old legacy technology from a quarter of a century ago, we are using the new generation of

processors; new, independently developed, unbiased search software designed to search all possible airlines, flights, and fares: and greatly improved seat availability data. We are the only site demonstrating that Internet sites need not be based on the old CRS technology. And I believe that if we succeed, others will follow. We will have the competitive entry that has been completely lacking in computerized distribution in the CRS-dominated era.

Let me explain more fully what I mean by using new technology to create the kind of truly comprehensive and unbiased displays consumers have been wanting and the large CRS-based Internet sites have not been providing them.

Distributing complete and accurate information about every flight and every fare, every day, is an enormous technological challenge. A quarter of a century ago CRS's began being placed in travel agencies -- usually under a contract that made it impossible for that agent to use or switch to any other CRS.

The CRS's were marvels of their day. But think for a moment what the world of computers was like 25 years ago. Computers can do things for people today that no one could have imagined possible 25 years ago.

When you want to travel in the U.S. from City A to City B and back, and you ask one of these CRS's what your airline, schedule, and fare options are, it can search about 5,000 to 10,000 possible combinations for you, and it does that in about one second.

The problem is that from City A to City B and back there are typically somewhere between half a billion and a billion possible combinations of airlines, schedules, and fares. (That is a hard number to believe, but it is true. By the time you take all the possible airlines, over all the possible routings including all possible connections, and all possible fares on each of those flights, and add in all the possible combinations with the return flights and fares, there are that

many total possibilities in a typical domestic round trip.) So that CRS is only searching about one one-hundred-thousandth of the options you really have in the marketplace. Despite all those rows and rows of huge mainframe computers and huge disc data storage units, that's the limit of the old CRS's ability to process information.

So what the CRS does is narrow the options it will look at by prescreening out 99.99999% of your options before it begins to evaluate them for you based on price and time. Connecting flights over points not on the system's predetermined list of connecting hubs? Doesn't even consider them. Flights offered by an airline with very few frequencies in that market? Doesn't even consider them. Most of the options it throws out are not good choices for you – they're inefficient routings, inconvenient departure times, and the like. But buried in that pile of over half a billion possibilities that the CRS throws out before it evaluates are usually some great options – an alternative city to connect over, a competing airline, a few fares that are lower.

What Orbitz is all about is that we will search absolutely every airline, schedule, and fare possibility in response to your request to go from City A to City B and back – all half a billion to a billion possibilities – and we will do it in one second. In response to your request, we will search through approximately 100,000 times more options than the CRS will, or than the Internet site that uses a CRS for its searches will, in order to be sure we are showing you the best flight options at the lowest fares.

We can do that because computers have changed enormously in the past quarter of a century. Let's take a quick look at how today's technology can do a better job of getting the consumer what he or she wants:

- Data storage. The old systems use large disc data storage systems, and still have severe limitations on the amount of data they can hold. Today's technology can hold vastly more data at a small fraction of the cost. Today a one inch-by-one inch disk, such as the ones used in ordinary digital cameras, can hold every published airline fare in the U.S.
- Computing power. Rows and rows of mainframe computers are impressive to look at, but their actual computing power is limited by today's standards. By assembling modern server processors in parallel, instead of using mainframes, Orbitz will have over 1,000 times the computing power of Sabre, the largest CRS, and at only a small fraction of the cost.
- Search software. The search software of the CRS's is inherently limited – designed to search only the limited pool of options that the CRS can handle in response to your request. Orbitz will use a new search software that was independently developed beginning 8 years ago by a group of grad students at the MIT Artificial Intelligence Lab. It is the first software designed to search literally every airline, schedule, and fare in response to your request to go from City A to City B and back, anywhere in the U.S. or Canada. Having searched and genuinely evaluated all half a billion to a billion possibilities, it will present to you lowest fare first, the best several hundred possibilities – without regard to which airline provides the service. And it will do it in a format that is readily understandable to the consumer and allows the consumer to quickly judge for him- or herself which options are best. This independently developed software is the product of that team of now former grad students led by Dr. Jeremy Wertheimer, who is in the audience today and is available for questions. Jeremy was actually working at MIT on his doctoral dissertation, applying cutting-edge information search technology to

problems in cellular biology, including such issues as DNA sequencing, and undertook the task of creating the first totally comprehensive, totally unbiased air travel search software as a diversion from working on his thesis. You, or anyone in the general public, can try out this software today at a test site (www.itasoftware.com), but because it is only a test site it does not yet have the powerful Orbitz hardware behind it, and it cannot actually make a booking. Nevertheless, even just as a test site, it has become very popular with consumers and travel agents seeking better information than they can get through CRS's or through CRS-based Internet sites today. Jeremy and his group have received thousands of e-mails from users, both travel agents and consumers, praising the system, and wanting to know when they can begin actually booking through it. I have provided some of those comments at Exhibit A to my testimony.

- **Seat Availability.** Internet sites only show flights and fares to consumers for which seats are available. Yet each of these sites operates using imperfect and outdated seat availability data, typically checking up-to-date data only after eliminating most flight and fare options from consideration. The result often is that flights and fares for which seats actually are available are not shown to the consumer because the system mistakenly believes, based on stale data, that no seats are available. Thus, the consumer too often does not see the lowest fares or the best schedules. The remedy is to obtain fresher seat availability data and to use it earlier in the search process. Orbitz has designed a new system, using expanded telecommunications and data storage, to do exactly that.

Anybody could introduce these new technologies. The processors are readily available. The data storage is readily available. Jeremy's unbiased and comprehensive search and display software is readily available. Any of these CRS-based Internet sites could choose at any time to

expand the telecommunications networks and data systems necessary to improve seat availability. But until Orbitz came along, nobody chose to do all these things.

Why not? Because there was no competition pushing them to make their systems as good as they possibly could be. It was, and still is, in the interest of the old CRS's, and the CRS-based Internet sites, to keep using their existing technology as long as possible. They will only update their existing systems when competitively pushed to do so. We are that new competition.

The CRS's have not needed to worry about competition because they each had a hold on each of the agents the CRS had under contract, such that it was virtually impossible, or prohibitively expensive, for most agents to ever leave their CRS and switch to another. In turn, that means that since no airline can afford not to sell through the travel agents under contract to any CRS, each airline has to pay whatever each CRS charges to sell through those agents. Agents are denied a choice among CRS's, CRS's do not have to compete with each other (either technologically or financially) to win the business of travel agents, and airlines (meaning ultimately passengers) are stuck with the burden of paying excessive CRS fees.

This Committee has repeatedly expressed its concern over the anti-competitive effects of CRS's. These anti-competitive effects for the most part have never been remedied. For example, rules were put in place prohibiting one kind of bias used in CRS's – carrier-specific factors – yet they continued to allow most other forms of bias. And in practice, most of those biases are rooted in the inherent limitations of the CRS technology.

For two decades, the air travel distribution system has been dominated by these CRS's. There are only four of them, and the largest, Sabre, has 46% of CRS bookings. Nobody has been able to break their grip.

The greatest promise of the Internet in the area of air travel distribution should be that it would provide new competition for these CRS's, and that the new technology would be what finally provided some new competitive entry into computerized distribution.

Instead, so far the opposite has been the case. The CRS's, mainly Sabre, the dominant CRS, have moved to duplicate the CRS oligopoly in the Internet world.

We believe the Internet, in combination with the new technologies I have mentioned, can still be a force for new competition, and that is what Orbitz is all about. And that, of course, is also what much of the opposition to Orbitz is all about, as well. Some people don't like new competition.

Third, we are offering something else that is genuinely new, and that is a form of price competition on the CRS booking fees. These fees are clearly excessive, they burden small and low-fare airlines in particular, they burden consumers, and they raise the cost of selling through travel agents without providing any benefits to most travel agents. We are offering to offset part of that excessive CRS booking fee, to exactly the same degree for any airline, whether an investor in Orbitz or not. We are the only website that has chosen to offer to partially offset excessive CRS booking fees. We understand that in some circles price competition is not welcome, but we are here to provide it anyway.

Since 1983, when the Department of Justice and others first asserted that CRS booking fees were excessive, these fees have gone up approximately 1400%, while computing costs generally in our economy have gone down by over 99% in the same time period. Clearly the problem of excessive CRS booking fees has only gotten worse since Justice first raised its concerns. Excessive CRS booking fees add to consumer costs, disproportionately burden smaller

airlines and low-fare airlines, and have unreasonably raised the costs of distributing tickets through travel agents, to the disadvantage of most travel agents and most consumers.

The simple fact is, CRS's can engage in anti-competitive pricing because they have an effective lock on the agents they have under contract. Airlines have to pay those fees, not matter how unreasonable, in order to reach the customers of those agents. And the passengers of those airlines end up paying those excessive costs. This Committee has justifiably been very concerned over the years about the anti-competitive effects of excessive CRS booking fees.

Orbitz will indirectly provide the first price competition that has ever existed in CRS booking fees. We are not a CRS. We will use one of the smaller CRS's to make the actual booking after a consumer has selected a flight and a fare, and that CRS will charge the airline the normal booking fee. That CRS will in turn pay to us, as CRS's typically do to the largest travel agencies, both online and traditional, a market segment incentive. But we will then share part of that amount with the airline on which the booking was made, in effect offsetting part of that excessive CRS booking fee. No CRS has ever been willing to do that. No CRS-based website has ever been willing to do that. We are willing to do that for any airline, in exactly the same amount, no matter whether the airline is big or small, new or old, a low fare airline or not, an investor in Orbitz or not. Every airline has the same shot at the same offset to the CRS booking fees on exactly the same terms.

Sabre, as the largest CRS, has been particularly unhappy about this new price competition we are introducing in the CRS arena. They have never experienced price competition in CRS booking fees before, and they do not welcome it. We have discovered in the past couple of months that there is very little they and their Internet arm, Travelocity, will not do or say to try to prevent that new price competition from occurring.

Let me turn to some of the specific issues that have been raised about Orbitz.

First, much has been made of the fact that airlines have invested in Orbitz.

We think we should be judged by what we plan to do, and by what we actually do, not by who we are, or who our investors are.

The fact is, we are attempting something very new here. We are trying to provide the consumer absolutely comprehensive and unbiased travel information, by applying a number of new technologies to the very complex universe of airline schedules and fares. It was hard for most potential investors to evaluate the risks inherent in such an undertaking. As it turned out, the initial investors in this area were airlines, because they had the expertise to understand what we proposed, to evaluate its risks, to conclude that it would work and would offer consumers better information. But having obtained that initial investment, we are now seeking and expecting additional investment from non-airlines, and we expect that new investment to substantially dilute the interests of the existing investors.

No single investor has ever had a majority interest in or control of Orbitz. No single investor has as much as 30% of the equity in Orbitz today. And we expect that within 18 months of launch, no single investor would have as much as 15% of the equity. Furthermore, we expect that, as a result of bringing in more investors and public investment, all airlines together will be reduced below the 50% mark.

Since our mission and our business strategy are to provide absolutely unbiased information to consumers, it was important to us that we not find ourselves in a situation where only one or two airlines were our only investors. The fact that we have five competing airline investors means that they balance each other out – none of them would allow us to do anything

to advantage any other airline. The result is that we have no choice but to be absolutely unbiased and neutral, exactly what we want to be and need to be in order to attract customers.

A legitimate question at this point is: Why would any of the major airlines want to invest in something with the objectives of Orbitz? We want to give every airline, big or small, the same unbiased displays -- why would the big airlines want to help make that happen? We want to share with every airline, big or small, an offset to the excessive CRS booking fees that weigh particularly heavy on the smaller airlines. Why would the big airlines want to help make that happen?

Ultimately only the airlines can answer questions about their decisions, but I have my own opinions based on my observations of the industry in general. I do not believe the big airlines are helping launch Orbitz because they want to help the smaller airlines, and I doubt this Committee believes that either. But I do believe the big airlines have some very legitimate and compelling reasons to want to help make Orbitz happen, and if helping the smaller airlines is a byproduct, so be it.

The first of those reasons is that the Internet is not going to go away. Even if only a minority of all passengers want to book on the Internet, it will be a sizeable enough minority that no airline can afford to ignore it. And the airlines have come to recognize that their own websites, as good as they are for some passengers, will never meet the needs of all consumers who want to use the Internet. They have to have a device that gives consumers who want to use the Internet and who want to search all airlines, flights, and fares for the best options, what they want. And the CRS-based Internet sites out there currently don't do that.

The second reason is that airlines have to control their costs, and the cost they have least been able to control is these excessive CRS booking fees. There are individual airlines that pay

nearly a third of a billion dollars a year in CRS booking fees, and those costs are passed along to their passengers. They have to find a way to bring normal market pressures to bear on these excessive costs. If smaller airlines benefit disproportionately in the process, so be it.

The third reason is that airlines see the biggest Internet sites increasingly acting in ways that disadvantage their customers. For example, the largest Internet sites, such as Sabre/Travelocity, go to the airlines and offer to increase that airline's market share in return for payment. In other words they will do what they have to do to their system to direct some passengers who would have booked on one airline to another airline, for a price. Some in the industry call this "swinging market share" and some call it "selling bias". But with Internet travel sales increasingly dominated by the two biggest sites, the view increasingly is that this practice is getting out of hand and is contrary to the interests of consumers. A site like Orbitz that competes specifically on being comprehensive, neutral, and unbiased in its displays will moderate this practice by competitive pressure. We believe that will be a benefit even to consumers who do not choose to use Orbitz.

And the fourth reason is, in a deregulated environment, airlines increasingly find that they offer a discounted fare, or open up more seats at an existing low fare, to attract more customers, and yet it uncertain whether those more attractive offerings are ever shown by the largest CRS-based Internet sites to the consumers. This is a disadvantage not only for the consumer, but for the airline, who now is not sure whether consumers did not respond as expected to the discount because the discount did not meet their needs, or because consumers never saw the discount on their Internet display.

Attached to my testimony as Exhibit B are a series of examples of instances where an airline offered a low fare and it did not show up on Sabre/Travelocity. Sometimes it may have

been because Sabre/Travelocity was using stale seat availability data, but other times that does not seem to explain the problem. In one case, Sabre/Travelocity said the airline did not offer any flights to a community, when it did! It is hard to understand how these kinds of problems can occur. Consumers are not always seeing the best flights and fares. And airlines are losing customers they should be getting, and wondering why. Is it because the Internet site has sold the “featured airline” status to another airline in that market? Are displays being intentionally manipulated in order to “swing market share”? Whatever the reason, airlines are left to operate in the competitive marketplace half blind, not sure whether the consumer reaction to their fare discount is because it was the wrong discount, or because some of their customers never saw it. Their customers who use the Internet don’t like it, and neither do the airlines. They finally got to the point of wanting to do something about it. That something is Orbitz.

A second issue has been raised about Orbitz: much has been made about the idea that we will have fares nobody else will have, and that we have an agreement with airlines that they will provide fares to us that no one else will have.

Let me be very clear about this: there is no agreement by which airlines are obligated to make any fare available to Orbitz that they do not make available elsewhere. Period.

In fact, our contracts not only do not give Orbitz any exclusive right to any fare, they go a step beyond that. They expressly guarantee that there is no exclusivity, and that each airline individually has the right to determine what fares it sells and where it sells them, as they have had that right throughout the entire history of deregulation. Orbitz does not and cannot prevent any airline from making any fare available through any retail channel.

And we go even another step beyond that. We have in our contracts a non-discrimination provision by which an airline that chooses to share in the offset we offer on the CRS booking

fee, in return agrees that any fare it makes available to the general public through some other retail channel, it will also make available to the general public through Orbitz.

Here is the simple fact that some of our CRS-based Internet competitors do not want to face up to: more than 99% of the time that Orbitz shows the consumer a lower fare than they do, it will not be because Orbitz had access to a fare that they did not have access to. It will be because Orbitz did a better, absolutely thorough and unbiased search of the fares that were available to everybody.

Third, much has been made about the threat that the Internet in general, and Orbitz, in particular, supposedly present to traditional travel agents.

In fact, the opposite is true. The Internet in general, and quite possibly Orbitz in particular, are likely to significantly improve the lot of most travel agents.

Much of the travel agent concern has been focussed on the idea that Orbitz will not charge a commission, and will therefore further erode travel agent commissions. That is simply not true. Orbitz, like Travelocity, Expedia and many others, is an online travel agency. We expect to receive, and so far are getting agreements to receive, a base commission similar to what each airline pays every other online travel agent. We expect commissions to be our largest source of revenues. Like any travel agent, we have an interest in base commissions being higher, not lower.

At present, about 80% of all bookings are made through traditional travel agents, and only about 4% are made through online agents, such as Travelocity, Expedia, and, soon, Orbitz. Our market research tells us that consumers who use travel agents typically do so because they want the person-to-person advice and expertise they get from travel agents, and we don't see much reason why those consumers would want to switch to the Internet. Where we do find

dissatisfaction is among the 4% that use the Internet, particularly those customers who want an Internet site that will show them all the airlines and all the best schedule and fare options. Many of those consumers complain that, to be sure they are getting all the airlines and the best schedule and fare options, they have to go to many different sites, because no site gives them all of what they want. We find in our consumer research that consumers are very clear on this point. 92% of consumers of Internet travel site services tell us they are not satisfied with their ability to get all the flight and fare information they want and need at any single existing site. We think the Internet should be able to serve travel consumers better than that. We think consumers have been very clear about what they want and that they are not now getting it. Our plan is simply to give consumers what they tell us they want – comprehensive and unbiased information about flights and fares.

Orbitz is designed to remedy the dissatisfaction of that group of consumers. We see our customers coming primarily from other websites, not from traditional travel agents, because we will not provide what the customers of travel agents want, which is person-to-person service. On the other hand, we will provide what the dissatisfied consumers of other websites are looking for, which is the comprehensive and unbiased information they want to book their travel.

Forrester Research projects that online bookings will grow from 4% to 12% of all bookings over the next four years. But that is expected to be less than the growth for air travel in general, meaning that in that time period bookings through travel agents are actually expected to increase slightly. Half of the 12% are expected to be airline website sales, leaving only 6% of all bookings for all online agencies. We expect Orbitz, if successful, to account for one to two percent out of that 6%. There is no way our less than 2% of bookings is going to put anybody out of business.

More importantly, Orbitz, and the technology it is pioneering, are likely to provide important benefits to travel agents.

First, Orbitz will bring competition to the issue of CRS search limitations. We expect that the result will not only be that our customers will get better displays and better information, but that the CRS's and their Internet sites will respond to that new competition – once they get tired of trying to block it – by upgrading their searches and displays. There is no reason they cannot quickly make the investment in upgrading their seat availability system for Internet display, for example. And the day will come when they expand their computing power to search much more broadly, and obtain software that does that broader search. And when that happens, not only consumers, but also travel agents, will benefit. Travel agents have to use considerable skill and energy to work around the technological limitations of the CRS's – better, more user-friendly displays would make the tough job of a travel agent a bit easier.

Second, travel agents have been getting squeezed by higher and higher CRS booking fees. The airlines' costs of selling a ticket through a travel agent consist mainly of the travel agent commission (paid to the agent) and the CRS booking fee (paid to the CRS). The CRS booking fee has been going up steadily, with the result that a higher and higher percentage of the cost of selling through a travel agent has been going to the CRS, not to the average travel agent. To put it bluntly, the CRS is eating more and more of the travel agent's lunch. Orbitz is bringing for the first time some degree of price competition to the world of CRS booking fees. To the extent that new competition can drive down CRS booking fees, or at least limit their growth, travel agents should get a larger share of the value of selling through the travel agent channel.

And third, the key problem for travel agents is that they are tied by contract to one CRS. A combination of restrictive contracts imposed on agents by CRS's, and the practical difficulty

of switching CRS's, means that most travel agents have virtually no ability to switch to another CRS. As a practical matter they are typically denied the market choices most businesses have. That means the CRS that has them under contract can largely take them for granted.

The unfortunate result for travel agents is that CRS's use their contractual hold on their travel agents to take for themselves a disproportion of the value of selling a ticket through a travel agent. It is the agent that generates the booking for the CRS, but the CRS often shares very little of the value of that booking with the agent.

If the travel agent could switch CRS's, the agents would soon find that the CRS's were willing to share more of the CRS's revenues with the agents. And that would be even more true if the travel agent didn't even need to switch CRS's. Let's suppose the travel agent would keep its CRS, but could decide for each booking whether to make that booking on its CRS or on a website designed for agent use – or one of several websites designed for travel agent use. Then the CRS could no longer take the agent for granted. That CRS would suddenly be willing to share significant revenue with the agent, in order to get that next booking. Suddenly the agent would find himself or herself in a free-market relationship with the CRS -- something that has rarely if ever happened – and that agent would suddenly discover how valuable he or she really is.

Orbitz at present is designed for use by Internet consumers, not by travel agents (though travel agents are welcome to use it for free). However, once Orbitz has developed and demonstrated this technology, it would only take a different business model for Orbitz, or somebody else, to offer a version of that new technology for travel agents.

And that is ultimately why Sabre/Travelocity is working so hard to block Orbitz. They have lived for 2 decades off the power of having the largest number of agents locked up under

highly restrictive contracts. If suddenly those agents could exercise some choice, then far more of the value of selling through those agents would have to be shared with the agents. For Sabre/Travelocity that is not a happy prospect.

In conclusion, we are a new competitor entering a business – online agency websites – that is dominated by just two competitors. We cannot be just as good as they are and hope to succeed. To gain ground in an arena that they dominate, we have to be far better than they at offering consumers what they want. Our only strategy for gaining a toehold in this business is to offer absolutely comprehensive and unbiased travel information that allows the consumer to pick the airline, the flight, and the fare, that best meets their needs. Everything we do is aimed at meeting that commitment to offering an absolutely comprehensive and absolutely unbiased view of the choices in travel.

We are not asking for anything but a chance to compete. We are not asking in the slightest to be exempted from any of the nation's antitrust laws. We expect to be held to those high standards, and we expect to meet them. The Department of Justice is currently reviewing our plans and agreements, so there will be no doubt about where we stand under the law. We believe we will be found not only to meet the requirements of the law, but to bring new competition to an arena that government has rightly been concerned about for nearly two decades. We believe we will enhance competition in the distribution of air travel.

All we would ask you is that if we in fact pass all the requirements of existing law, let us compete. Let us offer what we think is better information to Internet consumers of air travel. Let us give absolutely equal and unbiased display to the services of every airline that has published fares, whether they are affiliated in any way with Orbitz or not. Let us bring some degree of price competition to this long-standing problem of excessive CRS booking fees. Let us

give every airline, big and small, the opportunity to get neutral and unbiased display for its products, equal to what every other airline gets. Let us offer to every airline to share an equal offset to excessive CRS booking fee costs. Let us and Travelocity and Expedia and others compete on the basis of who can offer the most comprehensive and least biased displays to consumers. And most importantly, let the consumers decide who they think is doing the best job of providing comprehensive and unbiased information. We are more than willing to be judged by consumers, and we believe it should be consumers who decide which Internet site best meets their needs.

Orbitz is the story of new competition. We are the underdog with huge obstacles to overcome to even become number 3 in online travel. We are willing to take the competitive risk of trying to do that. But we urge you to beware of regulatory proposals from those who do not welcome the competition we bring to online travel. Such proposals are likely to be cleverly disguised attempts to block new competition and to further entrench the dominant CRS's and their dominant Internet sites.

One final comment, Mr. Chairman. The United States led the way in developing CRS technology a quarter of a century ago. And whatever else that technology has done, for good or for ill, over the past 25 years, it has been a major factor in the ascendancy of U.S. aviation around the world. I have just flown in last week from Europe, and I can tell you the Europeans fully understand that the mainframe CRS technology is now the technology of the past, and they are well along in creating a European-based website that would use exactly the technology we are building at Orbitz – modern processors wired in parallel, new software capable of searching every single option, and vastly improved seat availability data. If we do not build this technology in the U.S., it will be built by others, and it will be used by consumers in the U.S.,

because there is nothing more international than the Internet. This technology is coming to computers in our neighborhoods, whether Orbitz exists or not. The only question is will it be brought by U.S.-based companies, or only by others?

Thank you for the opportunity to testify. And I would be pleased to try to answer any questions the Committee might have.

EXHIBIT A

Consumer Comments About itasoftware.com

“I just wanted to say thank you for this site! I found it a couple of days ago and have already booked a ticket. I called the airlines for a reservation and was quoted \$98 over what you had found. I then told the agent the booking and fare codes and she found the cheaper fare. The site is fast and easy to use! Thank you! I will definitely recommend you to my friends and family and I will continue to use it as my first source for flight information!”

Catherine

“This site is AWESOME, I have been able to check heaps of variations of one way, return and multisector flight combinations. This is one of the greatest sites I have seen to check flight information and the speed is incredible, keep up the great work.”

Stephen

“I've used your software for two different trips and have been very satisfied with your service, efficiency, and usability. Every time I've chosen a flight and then checked with the airline to see if it was available, all of the ITA data were correct and I then purchased my chosen tickets. Thank you very much for a great service - airline customers have too few resources to navigate the byzantine choices. I've recommended you to my business associates and friends numerous times. Keep up the good work!!”

Bill & Julia

“Congratulations on the wonderful job you have done with this site! It is the most useful and informative of all the web pages I have tried. You give alot of good information that the other sited don't, such a close connections, etc. I'll continue to use your site from now on when planning a trip.”

Sonja

“Just tried your site and I love it! It makes it very easy to get information, in very little time. I hope you make it permanent and add hotels, trains and cars!”

Barb

“This is by far the best site I've searched for airline ticket prices! Much easier to use than expedia or travelocity.”

Tracy

“This is Great! Far better than anything else I have seen on the web or otherwise. Power to the consumer -- what a concept!”

Don

“You guys have made the best travel search engine I've ever seen. I've used just about every one of them over the past 6 years and each has always left me with much to be desired. I know all the tricks and repricing that goes on in the airline industry so can really use a service like yours to view every possible option to get the best possible price. I can't wait to be able to book flights from this site!”

Ken

“This is one fantastic web site. For the first time I can compare the prices on all airlines, including Southwest, at one time. This is a major time-saver for me and all who use this site. Congratulations on an outstanding product. I look forward to seeing the final version.”

John

“I just wanted to drop a line to let you know how much I appreciate your site. It has been extremely helpful in planning trips. I have booked two trips using the information your site provided and it was incredibly easy. I hope I will soon be able to book directly from your site. The table is easy to read, and flights are easy to figure out. I love the fact that you include duration of the entire trip - it really helps when planning. Thank you for providing a really great service.”

Christina

“First off, I'm not a ‘letter writing person,’ so this is out of the ordinary for me. Your website, even in Beta Version, is grrrrreat! I've been surfing the web for over a week now to try to get some good prices AND get plenty of info as well. Your site hooked me up in less than ten minutes. Unbelievable! Will I tell a friend? You bet. Thanks for the incredible site and keep up the good work.”

Terry

EXHIBIT B