

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSIONS**

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

Codesharing is the name given to a common airline industry marketing practice where, by mutual agreement between cooperating airlines, at least one of the airline designator codes used on a flight is different from that of the airline operating the aircraft. In one version, two or more airlines each use their own designator codes on the same aircraft operation. Although only one airline operates the flight, each airline in a codesharing arrangement may hold out, market and sell the flight as its own in published schedules. Codesharing also refers to other arrangements where an airline code on a passenger's travel documents (schedule, itinerary, etc.) is not that of the operator of the flight, but where the operator does not also hold out the service in its own name. Such codesharing arrangements are common between commuter or regional airlines and their larger affiliates. In recent years, the number of codesharing arrangements among U.S. airlines and between U.S. airlines and foreign airlines has increased.

A long-term wet lease refers to a leasing arrangement whereby the lessor provides both an aircraft and crew to a lessee dedicated to a particular route(s) under either an agreement that lasts more than 60 days or under a series of such lease agreements that amount to a continuing arrangement lasting more than 60 days. Under these arrangements, the use of one airline's aircraft and crew by another airline might cause confusion that can be prevented by proper disclosure.

The Department recognizes the strong preference of air travelers for on-line service over interline service, that is, service operated by a single airline instead of service operated by multiple airlines. Codesharing arrangements are, in part, a marketing response to this demand for on-line service since these arrangements enable airlines to hold out multi-airline service as on-line service. Often codesharing partners offer services similar to those available for on-line connections with the goal of offering "seamless" service (*i.e.*, service where the transfers from flight to flight or airline to airline are facilitated). For example, the airlines may locate gates near each other to make connections more convenient or coordinate baggage handling to give greater assurance that baggage will be properly handled.

Airlines also claim that codesharing can help them operate more efficiently because they can reduce costs by providing a joint service with one aircraft rather than operating separate services with two aircraft. Particularly in thin markets, this efficiency can lead to increased price and service options for consumers or enable the use of equipment sized

appropriately for the market. Therefore, the Department recognizes that codesharing, as well as long-term wet leases, can offer significant economic benefits.

However, although codesharing and wet-lease arrangements can offer significant consumer benefits, they can also be confusing and misleading unless consumers know that the transportation they are considering for purchase (or have purchased) will not be provided by the airline whose designator code is shown on travel documents and unless they know the identity of the airline on which they will be flying. Also, 49 U.S.C. §41712 authorizes the Department to decide if a U.S. air carrier, foreign air carrier or ticket agent (including travel agents) has engaged in unfair or deceptive practices and to ban such practices. Since issuing 14 CFR 399.88 in September 1985, the Department has dealt with codesharing arrangements and considers the practice to be unfair and deceptive, in violation of 49 U.S.C. §41712, unless consumers are given reasonable and timely notice of the existence of the codesharing arrangement. The growth in the use of codesharing, wet-leasing and similar marketing tools, particularly in international air transportation, led the Department to adopt specific regulations requiring the disclosure of codesharing arrangements and long-term wet leases on March 15, 1999. (14 CFR Part 257)

These regulations required U.S. airlines, foreign airlines and travel agents doing business in the United States, to notify passengers of the existence of codesharing or long-term wet lease arrangements. It also required U.S. airlines, foreign airlines and travel agents to tell prospective consumers, in all oral communications before booking transportation, that the transporting airline is not the airline whose designator code will appear on travel documents and identify the transporting airline by its corporate name and any other name under which that service is held out to the public.

The regulations also require that selling airlines or travel agents provide consumers with a separate written notice at the time of purchase that clearly identifies the segment(s) and the transporting airline by its corporate name or any other name by which that service is held out to the public. If transportation is purchased far enough in advance to allow for prior delivery of travel documents by mail or otherwise, the regulations mandate that written notice be delivered in advance along with the travel documents. If time does not allow for advance delivery of the travel documents, or in the case of ticketless travel, the rules require that the written notice be provided to consumers no later than the time at which they check in at the airport for the first flight in the itinerary. At the purchaser's request, the written notice may also be delivered in person or by fax, electronic mail, or any other reliable method of transmitting written material.

With regard to the notice requirement for printed advertising regarding codesharing or long-term wet leases arrangements, the Department adopted a final rule, published in the Federal Register on August 4, 2005 (70 FR 44848), that changed the requirements adopted on March 15, 1999. The changes to the regulation require that, in any printed advertisement published in or mailed to or from the United States (including those published through the Internet) for service in a city-pair market that is provided under a

codesharing arrangement or a long-term wet lease, the advertisement shall prominently disclose that the advertised service may involve travel on another carrier and clearly indicate the nature of the service in reasonably sized type and shall identify all potential transporting carriers involved in the markets being advertised by corporate name and by any other name under which that service is held out to the public. In any radio or television advertisement broadcast in the United States for service in a city-pair market that is provided under a codesharing or long-term wet lease, the advertisement shall include at least a generic disclosure statement, such as “Some services are provided by other airlines.” Copies of 14 CFR Part 257 and 70 FR 44848 are provided.

The Department recognizes that under the Paperwork Reduction Act of 1995, the implementation by an agency of a requirement to disclose information to a third party is considered to be a collection of information and subject to certain provisions of the Paperwork Reduction Act of 1995. The Department specifically notes that, while these rules result in a collection of information according to the Paperwork Reduction Act of 1995, it does not impose requirements on any segment of the aviation industry to collect, process or submit data or data files to the Department in the traditional sense of data collection.

As part of its performance and accountability measurements, the Department has six performance goals: *safety, mobility, economic growth, human and natural environment, national security, and organizational excellence*. These disclosure rules provide air travelers with important information about the transportation that they are about to purchase, or have purchased, in order to ensure that travelers are not misled or confused about that transportation. Such situations could result in inconvenience, delay or missed flights. This Information Collection Requirement, therefore, supports the mobility goal by shaping an accessible and reliable transportation system for all air travelers, by reducing transportation time from origin to destination for the individual transportation user and by increasing the reliability of trip times for air travel customers.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

U.S. airlines, foreign airlines, and travel agents will provide oral, written and Internet notification to air travelers containing pertinent information about codesharing and long-term wet leases at the time the consumer is considering the purchase of air transportation and for use during the traveler’s journey. This information is intended to aid the prospective consumer in making a more informed choice regarding the purchase of air transportation, and to facilitate travel by reducing the possibility that the traveler will be misled or confused before and during his or her trip.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection

techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

Disclosure of the information required by this rule will be accomplished almost entirely through the use of highly-automated and electronic media. Virtually all airline tickets are processed using a computer reservations system (CRS).¹ These systems are composed of central data bases that are accessed by travel agents through computer terminals and provide agents with up-to-date information on fares and services and which allow the agents to book, change, and cancel reservations and to issue tickets. Airline reservation agents also use similar computerized systems, as do those who book their own tickets through internet-based reservation systems such as Orbitz, Expedia, or Travelocity.

The use of the Internet in researching and booking air transportation has increased significantly in recent years. In 1990 travel agencies were responsible for about 80 percent of airline tickets sold in the United States.² That share fell to about 38 percent of the airline tickets sold in the United States in 2007 and is projected to be 33% of the total market by 2009.³ This increase should raise the already high proportion of this data collection that is accomplished through electronic technologies.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Currently, there is no alternative information source that could adequately provide the detailed and up-to-date information that these rules require. There is no duplication of effort.

5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.

For purposes of this rule, small entities include small U.S. and foreign airlines as well as small travel agencies, especially those that do not subscribe to any of the computer reservations systems. We do not have detailed information on the number, size, and sophistication of these entities. However, we believe that these regulations will not be unduly burdensome to a significant number of small entities. Furthermore, to the extent that these entities have been able to meet prior disclosure requirements (dating back to 1985) through other, less-automated means, we believe these entities will be able to apply similar, least-costly techniques to meet these new requirements.

¹ Airline Ticketing: Impact of Changes in the Airline Distribution Industry, GAO Report to Congressional Requesters, GAO-03-749, July 2003.

² Airline Marketing Practices: Travel Agencies, Frequent Flyer Programs, and Computer Reservations Systems, U.S. Department of Transportation, February 1990.

³ The US travel agency distribution landscape, hotelmarketing.com, May 21, 2008.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

There would be no direct consequence to Federal program or policy activities if the disclosure were not required. However, the impact on consumers could be substantial. The Department considers it very important that every air traveler be fully informed of codesharing arrangements and long-term wet leases during all aspects of considering and purchasing transportation, as well as during travel. Also, 49 U.S.C. §41712 authorizes the Department to decide if a U.S. air carrier, foreign air carrier or ticket agent (including travel agents) has engaged in unfair or deceptive practices and to ban such practices. Accordingly, the Department would have to ban the practice unless its criteria for disclosure are met. If the Department were to ban codesharing (or long-term wet lease agreements), the recognized benefits of “seamless” airline service such as the proximity of gate locations, coordinated baggage handling, and the reduced risk of missed connections could be diminished. Economic efficiencies resulting from the operation of a joint service with one aircraft instead of separate services with two aircraft could also be diminished.

Because of the nature of the data collection, it cannot be conducted less frequently. A passenger must be made aware of codesharing or long-term wet lease arrangements each time that the passenger considers a trip where these arrangements exist. From a technology perspective, the growing use of the Internet to research, book and verify air transportation should continue to reduce the burden on transportation providers and customers.

While we cannot precisely quantify the amount of consumer benefits, we find that the potential benefit to consumers is significant enough to justify the costs. As has been stated previously, consumers benefit enormously from codesharing arrangements. In the past, the nature and extent of codesharing was such that use of network name seemed sufficient. However, given the rapid expansion of codesharing to the point that each network is comprised of numerous regional airlines as well as foreign airlines and given the potential complexity of multiple codesharing arrangements in domestic/international flights, we find that the potential for confusion is likely to increase. The best way to protect consumers is to require that agents and airlines provide both the network and corporate names which would provide the most complete information as well as emphasize the codesharing relationship.

The Department has determined that it is impossible to quantify precisely the total benefits of the regulation. However, the Department estimates that more than 500 million passengers will travel under codesharing arrangements (or long-term wet leases) during the next few years. To the extent that the rule protects these travelers from being misled or inconvenienced, the passengers are benefited. The airline and travel industries also benefit from increased consumer confidence.

- 7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**
- **requiring respondents to report information to the agency more often than quarterly;**
 - **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
 - **requiring respondents to submit more than an original and two copies of any document;**
 - **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
 - **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**
 - **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
 - **that include a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**
 - **requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

In order to meet the goal of complete, consistent and timely consumer notification, it is necessary that the regulation apply to each occurrence. Therefore, these regulations could result in frequent application. However, the widespread use of computer reservations systems and the Internet should greatly reduce the burden. With regard to the written notification, only one copy is required and the notifying party is not required by these regulations to maintain a record of the notification. These regulations do not implement or require statistical surveys or the use of statistical data classifications and they do not involve confidentiality or business proprietary issues.

- 8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to those comments. Specifically address comments received on cost and hour burden.**

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

In accordance with the Paperwork Reduction Act of 1995, the Department issued a notice announcing and requesting comments on its intention to request an extension of the previously approved collection of information regarding disclosure of codesharing arrangements and long-term wet leases. A copy of 73 FR 40008 is attached in the Appendix. *No comments were received in response to the notice.*

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

No payment or gift of any kind is being made to any respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

Since the purpose of this regulation is to ensure that consumers have complete information about the air transportation they are considering for purchase, there are no issues of confidentiality involved.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the question necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

There are no sensitive questions.

12. Provide estimates of the hour burden of the collection of information. The statement should:

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**

- **If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.**
- **Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 13.**

Number of respondents

The General Accounting Office (GAO) has estimated a decrease in the total number of non-airline operated travel agencies, from 23,343 in 1995 to 18,425 in 2001 – a 21 percent decrease in 7 years - with the largest decrease in very small travel agencies (those generating less than \$2 million in annual revenue). During the same period, the use of online reservations systems by passengers increased from seven percent in 1999 to 30 percent in 2002. We expect these trends have continued since the GAO report was issued in 2003. For example, PhoCusWright estimates there are about 11,000 travel agents in the United States in 2008.⁴ As of November 2007, 303 worldwide airlines reported some form of passenger traffic data to the Bureau of Transportation Statistics (BTS).

Therefore, we estimate the total number of respondents at 16,000. This estimate is based on a similar 21 percent decrease in travel agencies from 2001 to 2008, to a total of 14,555. This estimate is higher than the estimate of 11,000 travel agents made by PhoCusWright,⁵ but it is consistent with prior decreases. It also includes airlines and their own websites and internet-only travel agencies which may not have been previously counted.

Frequency of response

With regard to frequency, the notification will occur whenever travel involves a codesharing arrangement or long-term wet lease. It is virtually impossible to directly calculate the annual responses solely by considering the number of travel agencies and worldwide airlines since the size of the agencies and airlines vary widely and the amount of codesharing tickets issued by each is not known. Data on the actual number of airline tickets that involved codesharing or long-term wet lease arrangements are not readily available.

For example, the Bureau of Transportation Statistics reported that U.S. carriers transported 769 million passengers in 2007⁶. The oneWorld alliance announced that eight million passengers transferred between the members' flights during 2007,⁷ although this total represents world-wide travel and passengers and not just those purchasing

⁴ [The US travel agency distribution landscape](#), hotelmarketing.com, May 21, 2008.

⁵ [The US travel agency distribution landscape](#), hotelmarketing.com, May 21, 2008.

⁶ BTS estimated 769 million passengers were carried by U.S. airlines in 2007. See http://www.bts.gov/press_releases/2008/bts013_08/html/bts013_08.html.

⁷ [Oneworld aims to build on record 2007](#), Air Transport World, June 6, 2008.

tickets in the United States. This is one of many alliances and does not necessarily take into account passengers traveling on regional carriers under codeshare agreements.

We analyzed the Department's *Origin-Destination Survey of Airline Passenger Traffic (DB1B)* for fourth quarter 2007 with data from 38 reporting U.S. air carriers⁸. We discovered that approximately 40 million tickets were issued by reporting carriers during that quarter. Of these, approximately 47 percent involved at least one segment operated by a carrier other than the ticketing carrier (i.e. a codeshare or interline agreement). We further analyzed the Department's *Origin-Destination Survey of Airline Passenger Traffic (DB1B)* for the fourth quarter 2007 and determined that approximately 35 percent of enplanements involved one or more segments in which the operating carrier and ticketing carrier were different entities. By extension, we estimated that the number of codesharing passengers on-board any given flight generally did not exceed 50 percent of total passengers. Given the range of estimates of annual passengers (between 560 million and 769 million) and no more than 50 percent of passengers traveling on codeshares, we concluded that between 250 million to 385 million passengers per year could be on-board flights where codesharing arrangements *were possible*. For this analysis, we use the average of 317 million passengers to represent frequency of response.

Burden Estimates

To evaluate the related cost – in both hours and dollars - we examined operating costs from the perspective of the airline ticket agents, travel agents and the traveling public. In their comments to the Notice of Proposed Rulemaking in this docket,⁹ Midwest Express and Astral Aviation d/b/a Skyway Airlines (joint commenters) provided an estimate of the annual increase in operating costs (\$88,000) for Astral Aviation only for the disclosure requirement of this rule, based on increased labor costs (\$30,000) resulting from additional talk time of 15 seconds per call for reservation agents and increased telephone line usage charges (\$58,000).¹⁰ We used their estimates as a starting point for our cost analysis.¹¹

We estimate a total annual hourly burden of 1,306,366 hours (653,183 each for respondents and travelers) and a total annual cost of \$39.7 million (\$16.2 million for respondents and \$23.5 million for travelers). On a per ticket basis, the average cost amounted to \$0.38 per ticket for the 104.6 million codeshare tickets estimated to involve personal contact. These estimates are detailed below.

While the Department would prefer not to take actions which have the potential to increase the cost of travel or result in a loss of productive time, we believe these amounts are minimal and not prohibitive, considering that the average ticket price for domestic

⁸ The Origin and Destination Survey (DB1B) is a 10% sample of airline tickets reported by 38 U.S. carriers for fourth quarter 2007.

⁹ Docket No. OST-95-623.

¹⁰ Joint Comments of Midwest Express Airlines, Inc. and Astral Aviation, Inc. d/b/a Skyway Airlines, February 16, 1995, page 5.

¹¹ In our draft regulatory analysis, we assumed that the additional time required for oral notice might range between one or two minutes in order to provide a preliminary estimate of the cost.

travel was approximately \$168 and the average price for international travel exceeded \$400.¹²

The Department recognizes that codesharing arrangements and the number of codesharing trips are likely to increase in the future. We also recognize that the cost for fully informing prospective travelers will impact different segments of the travel industry and the public to varying degrees. However, we believe that the fact that such arrangements are increasing and becoming more sophisticated emphasizes the paramount importance that the traveling public be fully informed.

The Department is convinced that the benefits outweigh the related costs and that the burden hours and costs will continue to decrease in the future as consumers and frequent travelers adjust and as new, less-costly, channels of distribution (such as the Internet) play a larger role.

In fact, the Department believes that the estimated burden hours and costs described above overstate the current impact of these regulations. We base this possibility on the fact that travel agents are booking a smaller percentage of airline tickets than in the past¹³ and that a significant number of air travelers are using airline websites and other on-line travel websites to research, book, select a seat, purchase and confirm air transportation. One of the largest U.S. airlines, Southwest Airlines, estimates that 59% of its sales (worth \$3.7 billion), are being made through the Southwest website and Delta Air Lines has seen its website bookings increase from 18% to 28% of total bookings.¹⁴ Other worldwide airlines are experiencing similar trends.

Annual hour burden estimate

Approximately 33 percent of travelers use travel agencies¹⁵, many of which may use internet-based portals rather than personal communication. The remaining passengers purchase tickets directly from the airline (through its phone or web sales) or through an online ticketing agency. Airlines continue to improve their own internet-based sales and revenue management systems, as do non-carrier affiliated ticket sales sites. There are more than 500 active airlines in the world,¹⁶ although many do not offer scheduled passenger service, directly or through codeshares, to US customers.

First, we note that many carriers impose additional fees for using a carrier's reservations agent. As such, much of the cost incurred with verbal notification can be recovered by the carriers. Second, the growth of internet-based reservations systems has reduced the use, by passengers, of telephone-based communications. In our 2005 Supporting Statement for this collection, we estimated that travelers speaking to a travel agent made

¹² Average airfare in fourth quarter 2007 (<http://ostpxweb.dot.gov/aviation/domfares/web074.pdf>)

¹³ According to the *2003 Travel Industry Survey/Travel Weekly*, travel agents booked 51% of all airline tickets, which represents a decline from the 80% previously referenced.

¹⁴ "Points of Sale", *Airline Business*, June 2005, page 43.

¹⁵ Travel agents sell about 33 percent of all airline tickets. [The US travel agency distribution landscape](http://www.hotelmarketing.com), hotelmarketing.com, May 21, 2008.

¹⁶ <http://jwa.janes.com/public/jwa/index.shtml>

an average of 1.5 phone calls per trip.¹⁷ We also estimated 15 seconds (0.25 minutes) of additional talk time for each call to convey code sharing information, for a total 0.375 minutes per passenger for each passenger who spoke to an agent.

We apply this estimate of 0.375 minutes per passenger to the estimated average number of passengers who may be traveling on a codeshare (317 million), for a total of 1,981,250 hours. We further reduce the total by increased use of internet bookings, estimating that approximately 33% of passengers do, in fact, speak with an agent.¹⁸ Our estimate is for an annual hourly burden of 653,183 hours for the 16,000 respondents. However, it is not possible to determine the burden for an individual respondent.

We also used similar assumptions (duration of call, number of tickets, and number of calls) to estimate the cost to travelers that would result from the loss of productive time due to the additional talk time. We used the same estimate of 15 seconds per call, an average of 1.5 calls per trip, and 104.6 million tickets. Our estimate is for an annual hourly burden of 653,183 hours for the approximately 104.6 million tickets estimated to involve personal contact. However, it is not possible to determine the burden for an individual traveler.

Thus, our total estimated annual hourly burden is 1,306,366 hours per year for the affected population.

Estimated annualized cost to respondents

We recognize that the rule results in agents spending more “talk time” to provide the notice of codesharing or long-term wet lease arrangements. To evaluate the related cost, we examined operating costs from the perspective of the airline ticket agents, travel agents and the traveling public.

To estimate the annual operating costs, we used an average hourly rate of \$21.72 (salary and fringe benefits) for an agent¹⁹ and 653,183 hours, resulting in total additional costs of \$14.2 million per year. To these amounts, we added the cost of additional telephone line usage based on an average of \$0.05 per minute²⁰ (\$3/hour), for a total of approximately

¹⁷ We assumed that travelers who use travel agents call between 1 and 2 times per trip (1.5 calls on average) since an advantage of using travel agents is that they do the work for the consumer. We previously estimated that travelers calling airlines directly would make more calls, but we believe that the advent of multiple internet-based fare search engines have led travelers to do much of the work for themselves prior to calling an airline’s own reservation agents.

¹⁸ Since it is impossible to determine which percentage of travelers using travel agents rely on agents, versus web-based booking, and what percentage of travelers who use web-based booking then follow up with agents, we use the percentage of tickets sold through travel agents (33%) as a proxy for the total number of passengers speaking to an agent.

¹⁹ The American Society for Travel Agents estimates annual agent salary between \$28,785 and \$38, 648, as of May 29, 2008 (see <http://www.asta.org/News/PRDetail.cfm?ItemNumber=3879>). We use an average of \$33,714 and add fringe benefits equal to 34 percent of compensation. We then divide \$45,180 (average salary + benefits) by 2080 hours to reach an average hourly agent compensation of \$21.72.

²⁰ Data on telephone line charges were not readily available. Midwest Express/Astral Aviation did not provide background information on unit rates. Our analysis of their data indicated a rate of \$0.64 per

\$2 million. Therefore, total annual operating costs for the 16,000 respondents were estimated at \$16.2 million. On a per ticket basis, the average estimated cost is \$0.15 for the 104.6 million tickets estimated to involve personal contact. Based on the value of time at \$35.98 per hour²¹ and 653,183 hours, we estimated that the annual additional cost to travelers using personal contact would amount to \$23.5 million.

Thus, our total estimated annual cost burden is \$39.7 million. Codesharing information is included in each itinerary record as required by the Department²². As such, we do not estimate additional costs – for respondents or for passengers – for those codeshare tickets that do not involve personal contact with an agent.

The cost to process an airline ticket has decreased. In 1999, these costs to an airline were estimated at approximately \$46, \$23, and \$25 for travel agents, airline websites, and on-line travel agency sites, respectively. By 2002, the same costs were estimated to be \$31, \$12, and \$20.²³ If ticket processing costs decreased at the same rate between 2002 and 2008 as they did between 1999 and 2002, we would expect processing costs to be approximately \$24 (travel agents), \$6.25 (airline websites), and \$16 (on-line travel agency sites).

Because each of these groups has been reporting code sharing information since 1997 and the cost to process an airline ticket has decreased over time, there is little evidence that the reporting requirement increases the base processing costs for the affected respondents. Given the rapid and substantial decrease in the cost to process an airline ticket, we believe our burden estimates to be realistic.

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14.)

- **The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a**

minute. Our independent research regarding toll-free numbers indicated a rate of \$0.03 to \$0.07 per minute including some volume discounts. We also recognized that some very high volume users (for example, the federal government's use of FTS) obtained rates that were considerably lower than these rates. Although computer reservations systems and internal airline systems were very high users of telephone lines and presumably entitled to significant discounts, we have determined that \$0.05 per minute was a reasonable rate for purposes of this analysis.

²¹ Based on DOT Memorandum of February 11, 2003: Department Guidance for the Valuation of Travel Time in Economic Analysis (see http://ostpxweb.dot.gov/policy/Data/VOTrevision1_2-11-03.pdf). We used the value for intercity air travel for all purposes, \$28.60 in 2000 dollars. We adjusted this value to 2008 dollars using the CPI index (see <http://www.bls.gov/bls/inflation.htm>), resulting in \$35.98.

²² The Airline Passenger Origin and Destination Survey (DB1B) requires carriers to report (a) the Marketing Carrier (the carrier that issued a flight reservation or ticket under a codeshare agreement), (b) the operating carrier (the carrier engaged directly in the operation of aircraft), and (c) the Reporting Carrier (the carrier that submitted data to the Department). As such, the cost of including such information in electronic itinerary records is already included in the cost of processing a ticket. We do not estimate additional costs for carriers or other respondents to incorporate codeshare information for internet-based reservations.

²³ Airline Ticketing: Impact of Changes in the Airline Distribution Industry, GAO Report to Congressional Requesters, GAO-03-749, July 2003.

total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.

- **If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.**
- **Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.**

The Department originally considered the possibility that these rules could result in increased implementation costs for the worldwide airline and travel agent industries. Such costs were initially determined to be minimal and one-time charges. For the current renewal, implementation costs should be negligible.

14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.

This regulation will not result in any costs to the Federal government since data will not be collected.

15. Explanation of program changes or adjustments

The program reporting requirements have not changed since the previous request for Extension of a Previously Approved Collection submitted in 2005. Although, an adjustment has been made to the Information Collection Request while the number of

affected tickets has increased, the estimated number of respondents has decreased. Both changes reflect the changing nature of the passenger airline industry: increased use of Internet booking sites, decreased numbers of and commissions paid to travel agents, increased numbers of air travel journeys, and increased number of codesharing agreements and global airline alliance participation. Although the total hour burden has increased, we estimate that the average cost per ticket, for both airlines and travel agencies, has decreased from \$0.56 to \$0.38 per ticket. This decrease reflects efficiencies inherent in industry practice changes.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

This regulation involves only consumer notification and does not involve actual collection of data.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

In the opinion of the Department, the nature and frequency of the notification requirements of these regulations make it impossible to display the expiration date for OMB approval for every occurrence.

18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-1.

There are no exceptions.

Appendices

Appendix A 14 CFR Part 257 -- Disclosure of Codesharing Arrangements and Long-term Wet Leases

Appendix B Federal Register Notice of August 4, 2005, publishing a final rule updating 14 CFR Part 257 – 70 FR 44848.

Appendix C 14 CFR 399.88, Statements of General Policy

Appendix D U.S.C. Title 49, section 41712, Unfair and Deceptive Practices