only by misleading consumers but by unfairly outranking other equivalent services in CRS displays and displacing such services to later CRS screens where they are less likely to be sold. The complainants also maintain that Continental's funnel flights deprive them of a fair and equal opportunity to compete.

Apart from the issue of funnel flights, TACA charges Continental with attempting to dominate the Texas-Latin America market by unilaterally terminating a prorate agreement between the two carriers in the El Salvador-Houston market, by engaging in predatory pricing, by opposing TACA's expansion of service through Honduran flights, and by opposing TACA's expansion of service at Dallas/Fort Worth.

United and American both filed consolidated answers supporting the complaints but urging the Department to ban funnel flights as a practice industrywide rather than merely acting on individual complaints.

Continental filed individual answers opposing the complaints. Continental maintains that its funnel flights are entirely legal, as are the other activities of which TACA complains. The carrier also denies that its funnel flight service receives preference over other on-line connecting services in CRSs other than SystemOne. As an affirmative defense, Continental notes that the Department has not acted on American's petition for rulemaking to ban funnel flights. In addition, Continental asserts that TACA owns a 30 percent share of Aviateca and a 49 percent share of NICA, and it maintains that the complaints represent a concerted response to its own opposition to TACA's requests for extrabilateral authority to serve Dallas/Fort Worth and all points in Honduras and to its own complaint about lack of access to jetways at San Salvador as well. Continental also characterizes the complaints as a concerted effort to limit Continental's ability to compete in the U.S.-Central America market.

Notice of Proposed Rulemaking

Proposed Rule: By this notice, we propose to require U.S. air carriers, foreign air carriers, and, where applicable, ticket agents (including travel agents) doing business in the United States to make the following disclosures of all change-of-gauge services, or services with a single flight number that require changes of aircraft *en route* (including funnel flights):

(1) notice by carriers of required aircraft changes in written and electric schedule information provided to the public, to the *Official Airline Guide* and comparable publications, and to computer reservations systems,

(2) in any direct oral communication with a consumer concerning a change-of-gauge service, notice before booking transportation that the service requires a change of aircraft *en route*, and

(3) written notice at the time of sale of such service stating the following:

Notice: Change of Aircraft Required

For at least one of your flights, you must change aircraft *en route* even though your ticket may show only one flight number and have only one flight coupon for that flight. Further, in the case of some travel, one of your flights may not be identified at the airport by the number on your ticket, or it may be identified by other flight numbers in addition to the one on your ticket. At your request, the seller of this ticket will give you details of your change of aircraft, such as where it will occur and what aircraft types are involved.

We are thus proposing to codify explicit requirements that all sellers of air transportation make effective disclosure to consumers that change-ofgauge itineraries, including funnel flights, require a change of aircraft. The contentions of American and the various commenters, as confirmed by our Consumer Affairs office, tentatively persuades us that even with our current policy requiring disclosure of aircraft changes, too many consumers may be buying transportation on these services without realizing that they will be changing planes. Also, despite our adoption in 1992 of a rule requiring that CRS displays must identify singlenumber flights requiring a change of aircraft, it appears that travelers are still not always informed of en route aircraft changes, resulting in confusion and hardship.

We tentatively find that the failure to disclose required aircraft changes in scheduled passenger air transportation constitutes an unfair or deceptive practice or an unfair method of competition within the meaning of 49 U.S.C. 41712 (formerly section 411 of the Federal Aviation Act). We intend for the disclosure requirements proposed here to complement our CRS rule. The proposed rule should alleviate problems of passenger deception or confusion and any resultant harm to competition, and it should enable all consumers to make well-informed decisions when purchasing travel.

We are not persuaded that we should ban either single or multiple change-ofgauge services. The Department has generally declined to foreclose carriers' marketing and service innovations unless these violate 49 U.S.C. 41712 or otherwise contravene the public interest. We do not agree with American and the commenters that funnel flights or other change-of-gauge services violate 49 U.S.C. 41712 or contravene the public interest in and of themselves. We tentatively find that any problems of passenger deception or confusion that can be attributed to the absence of effective disclosure to prospective passengers can and should be solved by our proposed rule.

In calling for a ban on funnel flights and other change-of-gauge services, American and the commenters ignore the public benefits that these services provide. One-for-one change-of-gauge services are superior to ordinary online connections, because with the former, the carrier will usually hold the second aircraft for the arrival of the first one. Both American Trans Air, which argues that change-of-gauge services can promote economic efficiency, and Delta oppose banning these services. Multiple change-of-gauge services can promote economic efficiency by raising load factors on the funnel segments. Higher load factors in turn can enable carriers to charge lower fares, serve more markets, and increase frequency. A higher level and scope of service translate into increased competition, which also benefits consumers. If, as American argues, multiple change-ofgauge services really provide no benefits for consumers, then with effective disclosure, consumers will stop using them, so carriers will stop offering them.

The carriers who favor a ban on single and multiple change-of-gauge services also ignore the costs of banning these services. First, a ban on multiple change-of-gauge services could lead to higher fares in a significant number of international city-pairs. The Department exercises some control over the upward movement of fares in international air transportation on single-flight-number services, since it can block-and has blocked—fare increases that exceed the levels allowable under the Standard Foreign Fare Level for itineraries with one flight number. Such regulatory control does not extend to fares for itineraries held out under two or more flight numbers.

Second, a ban on multiple change-of-gauge services would sacrifice valuable international route rights, to the detriment of both the carriers and the traveling public. The United States has negotiated with our bilateral trading partners—and paid by making various concessions—for the rights to have its carriers conduct change-of-gauge services in foreign air transportation. Many bilateral agreements not only allow U.S. carriers to operate change-of-gauge services to and from points beyond foreign gateways but actually