Google's travel deal faces regulatory turbulence

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In this Oct. 8, 2006 file photo, women work at laptops in front of a Google logo at the Frankfurt Book Fair in Frankfurt, Germany. The U.S. Justice Department is expected to decide soon on whether to let Google Inc. buy the Web's top airline-fare tracker, ITA Software, for $700 million. (AP Photo/DAPD, Torsten Silz, File)

(AP) -- Google wants to become the hub of online travel, promising better bargains and more convenience by melding the Internet search leader's wizardry with the Web's top airline-fare tracker, ITA Software.

That has existing online travel sites such as Kayak, Expedia and Travelocity worried that they won't stand a chance of competing, a scenario that could lead to higher fares.

The U.S. Justice Department is expected to decide soon on whether to let Google Inc. buy ITA for $700 million. The deal would give Google control over software that has helped power the reservation systems of most major U.S. airlines and a fleet of online fare-comparison services for the past decade.

The government review could serve as a test of how aggressively U.S. antitrust regulators intend to police Google as the company uses the wealth and influence gained from its dominance in Internet search to expand into other lucrative markets. The U.S. market for online travel bookings totals about $80 billion annually, according to Forrester Research.

Google says owning ITA, the brainchild of computer scientists specializing in artificial intelligence at the Massachusetts Institute of Technology, would lead to lower prices and more convenient ways to shop for tickets on the Internet. For instance, travelers might tell Google how much they could afford to spend to visit a warm place on certain dates, and the search engine would turn into a travel guide.

But critics contend that Google would be able to hobble other travel services by burying them in its search results or denying them ITA's latest technical innovations. Google so far has only promised to honor all of ITA's current contracts, which expire over the next few years.

"Google will have leverage over the entire online flight industry," said Thomas Barnett, a former leader of the Justice Department's antitrust division. Now an attorney in private practice, Barnett represents Expedia Inc., which has banded with such online travel services as Microsoft Corp.'s Bing, Travelocity, Kayak Software Corp. and Farelogix Inc. to oppose the ITA deal.

Google has promised it won't sell airline tickets or book other travel arrangements on its own site. Rather, Google would refer people elsewhere to buy tickets and make reservations for hotels and rental cars.

Those sites would earn commissions.

But competitors say there is no guarantee on who would get the traffic. Google, for instance, could simply send travelers directly to the selected airline or hotel and bypass the existing referral and booking services, denying them the commissions.

The online travel companies also fear that Google would place its own travel recommendations on the top of its influential search results page, putting them at a disadvantage.

Google already has been accused of favoring its own services - such as mapping, video and finance - in its search results. The company says its users prefer those services. But European regulators and the Texas attorney general have opened inquiries into Google's business practices.

As a sign of its influence, Google already fields so many travel requests that its search engine accounts for an estimated 30 percent of traffic to travel sites. ITA's technology could enable Google to attract an even larger share of travel searches.

Google, however, seems less interested in making commissions itself. Rather, it appears to want to improve its travel results so that it can retain users and sell more ads. By some estimates, travel advertisers account for about 10 percent, or nearly $3 billion, of Google's annual revenue.

The fear is that if Google gets a larger share of travel searches, it would be in a better position to command higher ad rates from airlines, hotels, rental car agencies and other leisure services.

More frequent searches for air fares would also give Google more insights into when people are planning to travel and how much money they're willing spend. That's data that the company could sell to advertisers, said Forrester Research travel analyst Henry Harteveldt.

Not all of the deal's opponents rely on ITA. Expedia, for one, uses its own software, although two of the company's other travel services, TripAdvisor and Hotwire, depend on ITA. Other major services that don't need ITA include Travelocity, which uses the Sabre system, and Priceline.

Google believes those alternative tools show there would still be ample competition if it gains control of ITA.

But ITA has the most comprehensive database because of its ties to most major U.S. airlines, said Robert Birge, Kayak's chief marketing officer. ITA also has the best tracking system to monitor the latest changes as carriers adjust their fares, Birge said.

"They have access to data that no one else has," he said. "They know what airline seats are available at what price right now."

More information: Google's arguments for approving the acquisition:

http://www.google.com/press/ita

Travel sites opposing the deal: http://www.fairsearch.org