(b) An alternative method of compliance or adjustment of the compliance time that provides an acceptable level of safety may be used if approved by the Manager, Regulations Group, Rotorcraft Directorate, FAA. Operators shall submit their requests through an FAA Principal Maintenance Inspector, who may concur or comment and then send it to the Manager, Regulations Group.

Note 4: Information concerning the existence of approved alternative methods of compliance with this AD, if any, may be obtained from the Regulations Group.

(c) Special flight permits may be issued in accordance with §§ 21.197 and 21.199 of the Federal Aviation Regulations (14 CFR 21.197 and 21.199) to operate the helicopter to a location where the requirements of this AD can be accomplished.

Note 5: The subject of this AD is addressed in Transport Canada (Canada) AD's CF–99–12 and CF–99–13, both dated April 21, 1999.

Issued in Fort Worth, Texas, on February 22, 2000.

Henry A. Armstrong,

Manager, Rotorcraft Directorate, Aircraft Certification Service.

[FR Doc. 00–4798 Filed 2–29–00; 8:45 am]

BILLING CODE 4910–13–U

DEPARTMENT OF TRANSPORTATION

Office of the Secretary

14 CFR Part 255

[Docket No. OST–2000–6984]

RIN 2105–AC75

Third Extension of Computer Reservations Systems (CRS) Regulations

AGENCY: Office of the Secretary, Department of Transportation.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Department is proposing to revise its rules governing airline computer reservations systems (CRSs), 14 CFR Part 255, for the third time by changing the rules' expiration date from March 31, 2000, to March 31, 2001. If the Department does not change the expiration date, the rules will terminate on March 31, 2000. The proposed extension of the current rules will keep them in effect while the Department carries out its reexamination of the need for CRS regulations. The Department tentatively believes that the current rules should be maintained because they appear to be necessary for promoting airline competition and helping to ensure that consumers and their travel agents can obtain complete and accurate information on airline services. The rules were previously extended from December 31, 1997, to March 31, 1999, and then to March 31, 2000.

DATES: Comments must be submitted on or before March 13, 2000.

ADDRESSES: Comments must be filed in Room PL–401, Docket OST–2000–6984, U.S. Department of Transportation, 400 7th St. SW., Washington, DC 20590. Late filed comments will be considered to the extent possible. To facilitate consideration of comments, each commenter should file six copies of its comments.

FOR FURTHER INFORMATION CONTACT: Thomas Ray, Office of the General Counsel, 400 Seventh St. SW., Washington, DC 20590, (202) 366–4731.

SUPPLEMENTARY INFORMATION: In 1992 the Department adopted its rules governing CRS operations, 14 CFR Part 255, because almost all airlines operating in the United States relied on the CRSs in marketing their airline services. 57 FR 43780 (September 22, 1992). We found that the rules were necessary to ensure that the owners of the systems—all of which were then airlines or airline affiliates—did not use them to unreasonably prejudice the competitive position of other airlines or to provide misleading or inaccurate information to travel agents and their customers. Travel agents relied on CRSs to provide airline information and make bookings for their customers, and almost all airlines received most of their bookings from travel agencies. These factors made CRS rules necessary. As revised, our rules will expire on March 31, 2000, unless we readopt them or extend the expiration date. 64 FR 15127 (March 30, 1999). We began a proceeding to determine whether the rules are necessary and should be readopted and, if so, whether they should be modified, by issuing an advance notice of proposed rulemaking. 62 FR 47606 (September 10, 1997). We are proposing here to extend the expiration date for the current rules to March 31, 2001, so that they will remain in force while we conduct our overall reexamination of the rules.

We have set a short comment period of ten days so that we can publish a final decision on this proposal before the rules' current expiration date. Our advance notice of proposed rulemaking has given interested persons an opportunity to comment on whether the rules should be maintained. Almost all of the commenters support a continuation of the rules, albeit with changes, and virtually none urges us to end the rules.

The CRS Business

Four firms provide CRS services in the United States. Each of them is affiliated with one or more U.S. or foreign airlines, although public shareholders now hold a significant amount of stock in three of them. A CRS provides information on airline services and other travel services sold through the system to its users, who are typically travel agents but include consumers using Internet reservations services and corporate travel departments. A person using a CRS can find out what airline seats and fares are available and book a seat on each airline that ''participates'' in the system, that is, that makes its services saleable through the CRS. Travel agents access a CRS through computer terminals.

Most of the revenues received by the systems consist of the fees paid by airlines and other travel suppliers participating in a system. An airline participant pays a fee whenever a booking on that airline is made through the system (most systems also charge fees for related transactions, such as booking changes and cancellations). Other travel suppliers pay similar fees. Many, but not all, travel agencies subscribing to a system also pay fees, but such subscriber fees, unlike airline fees, are generally disciplined by competition. The systems' competition for subscribers enables some travel agencies to obtain CRS equipment and services at little or no charge.

Regulatory Background

The Civil Aeronautics Board (''the Board''), the agency formerly responsible for the economic regulation of the airline industry, initially adopted the CRS rules. The Board did so because the systems had become essential for airline distribution in the early 1980s due to the travel agents' reliance on the systems for investigating and booking airline services. 49 FR 32540 (August 15, 1984). At that time each system operating in the United States, with one minor exception, was owned by a single airline, and each owner airline was using its system to prejudice competing airlines and to give consumers biased or incomplete information in order to obtain more bookings. The Board found that regulations were essential to keep the systems from substantially injuring airline competition and from misleading consumers. The Board adopted its regulations primarily under its authority under section 411 of the Federal Aviation Act, later recodified as 49 U.S.C. 41712, to prevent unfair methods of competition and unfair and deceptive practices in air transportation and the sale of airline transportation. The Board's rules were affirmed on review. *United Air Lines* v. *CAB,* 766 F.2d 1107 (7th Cir. 1985).

The Board's major rules required each system to make participation available to all airlines on non-discriminatory

terms, to offer at least one unbiased display, and to make available to each airline participant any marketing and booking data from bookings for domestic travel that it chose to generate from its system. The rules also prohibited certain CRS contract terms that limited the travel agencies' ability to switch systems or use more than one system.

The Board's rules contained a sunset date to ensure that they would be reexamined, December 31, 1990. Since we became responsible for airline economic regulation after the Board's sunset on December 31, 1984, we conducted that reexamination. During our reexamination we maintained the rules by extending their expiration date. 55 FR 53149 (December 27, 1990); 56 FR 60915 (November 29, 1991); 57 FR 22643 (May 29, 1992).

Our reexamination caused us to readopt the rules with several revisions designed to strengthen them. 57 FR 43780 (September 22, 1992). We determined that the rules were still necessary. Market forces did not discipline the price or level of service offered participating airlines by the systems. In addition, without rules CRS owners could use their control of the systems to prejudice airline competition, and the systems could bias their displays of airline services. 57 FR at 43783–43787.

Like the Board, we included a sunset date—December 31, 1997—in our rules. 14 CFR 255.12; 57 FR at 43829–43830 (September 22, 1992). We began our current reexamination of the rules by publishing an advance notice of proposed rulemaking requesting comments on whether we should readopt the rules and, if so, with what changes. 62 FR 47606 (September 10, 1997). We then amended the rules twice to further promote competition. 62 FR 59784 (November 5, 1997); 62 FR 66272 (December 18, 1997). We adopted those amendments largely because market forces did not appear to discipline the CRS firms' terms for airline participation.

Almost all of the parties responding to our advance notice of proposed rulemaking urged us to maintain CRS rules, although they also argued that the rules required changes, mostly changes that would strengthen them. No party urged us to eliminate the rules, and few disputed the need for the continued regulation of the CRS business. Thus we believe that an extension of the current rules pending completion of the current reexamination of those rules would be consistent with the positions already taken by the commenters.

Previous Extension of the Rules' Sunset Date

Because we could not complete our reexamination of the rules by the original sunset date, December 31, 1997, we have amended the rules twice to extend them, first to March 31, 1999, and then to March 31, 2000. 62 FR 66272 (December 18, 1997); 64 FR 15127 (March 30, 1999). We found the extensions necessary to prevent the harm that would arise if the CRS business were not regulated, and we concluded that extending the rules would not impose substantial costs on the industry. The only party that commented on the first proposed extension—America West Airlines—supported it, as did three parties that commented on the second proposed extension—Amadeus Global Distribution System, America West, and the Association of Asia-Pacific Airlines. Worldspan's comment on the second proposed extension did not oppose the extension.

Our Proposed Extension of the CRS Rules

We are again proposing to change the expiration date for our CRS rules to March 31, 2001, so that the rules will remain in effect while we conduct our reexamination of the need for the rules and the rules' effectiveness. The completion of our overall reexamination of our rules, including the need to give parties an adequate opportunity to file comments and reply comments in response to our future notice of proposed rulemaking, will require substantial time and cannot be finished by the current expiration date, March 31, 2000. In addition, the rulemaking has increasingly come to involve issues related to the distribution of airline services over the Internet, which will require additional time for analysis.

We are aware that the delay in completing the reexamination of the rules is unfortunate due to the importance of adapting our rules on CRS operations to current industry conditions. We have had to address other airline competition issues that required expedited action, however. In addition, such industry developments as the continuing and rapid growth of Internet services and the major airlines' cuts in travel agency commissions on bookings made both by traditional travel agencies and Internet services require additional study by the staff. At the same time, notwithstanding the desirability of updating the current rules, those rules appear to address the most serious potential competitive and consumer protection issues created by the use of computer reservations systems in airline distribution.

A number of parties have requested prompt action on certain additional CRS regulations, such as rules limiting airline booking fees and giving travel agency subscribers additional rights to cancel CRS contracts. *See, e.g.,* the petition filed by America West on airline booking fees; the Emergency Petition for Rulemaking filed by the Association of Retail Travel Agents in Docket OST–98–4775 on travel agency contracts; and the petition filed by Amadeus in Docket OST–99–5888 on the tying of an airline's corporate discount fares with the agency's use of that airline's CRS. We recognize that some issues may be of such overriding importance that they should be addressed before the completion of the overall reexamination of the rules.

We tentatively conclude that we should amend the rules to change the sunset date from March 31, 2000, to March 31, 2001. This proposed temporary extension of the current rules will preserve the status quo until we determine which rules, if any, should be adopted. Allowing the current rules to expire would be disruptive, since the systems, airlines, and travel agencies have been conducting their operations in the expectation that each system will comply with the rules. Systems, airlines, and travel agencies, moreover, would be unreasonably burdened if the rules were allowed to expire and we later determined that those rules (or similar rules) should be adopted, since they could have changed their business methods in the meantime.

The principal basis for extending the rules is the need to protect airline competition and consumers against unreasonable practices. Our past examinations of the CRS business and airline marketing convinced us that CRSs were still essential for the marketing of the services of almost all airlines. 57 FR 43780, 43783–43784 (September 22, 1992). We found that rules were needed because the airlines depended on travel agencies as their principal distribution arm, because travel agencies relied on CRSs, because most travel agency offices used only one CRS, because creating alternatives for CRSs and getting travel agencies to use them had been difficult, and because non-owner airlines were unable to cause agencies to use a CRS that provided airlines better or less expensive service instead of another that provided poorer or more expensive service. 57 FR at 43783–43784, 43831. If an airline did not participate in a system used by a travel agency, that agency was less likely to book its customers on that

airline. Since marginal revenues are important in the airline industry, an airline could not afford to lose access to a significant source of revenue. An airline (or other firm) could not practicably create a system that could compete with the existing systems. Almost all airlines therefore had to participate in each CRS, and CRSs did not need to compete for airline participants. 57 FR at 43783–43784.

We believe that these findings are still valid. Travel agencies still make most airline bookings in the United States, travel agencies still rely heavily on CRSs to determine what airline services are available and to make bookings, and few travel agency offices make extensive use of more than one CRS. That CRS participation is essential for almost all airlines is demonstrated by the decision of the low-fare airlines to participate in each system, even though several initially believed that they could reduce their costs while not forfeiting much traffic by declining to participate in the systems. 62 FR at 47608. The rapid growth in the use of the Internet by consumers may not reduce the importance of the systems, for Internet sites (except many airline sites) typically use a system as their booking engine. We doubt that the systems' growing proportion of public shareholders has invalidated our earlier findings, although that may change in the future.

As noted above, almost all of the parties that responded to the advance notice of proposed rulemaking stated that the rules remained necessary, and most urged us to strengthen them further to protect airlines and travel agencies against potential abuses by system owners.

Thus, while our staff has not completed its current study of the CRS business and we have not issued a notice of proposed rulemaking finding that the rules should be readopted, we tentatively find that our past findings on the need for CRS rules are still valid, at least for the purpose of a short-term extension of the rules' expiration date. Maintaining the current rules will protect airline competition and consumers against the injuries that would otherwise occur, given our earlier findings on the market power of the systems and each airline owner's potential interest in using its affiliated CRS to prejudice the competitive position of other airlines. Continuing the rules in effect should not impose significant costs on the systems and their owners, since they have already adjusted their operations to comply with the rules and since the rules do not impose costly burdens of a continuing nature on the systems.

Finally, our obligation under section 1102(b) of the Federal Aviation Act, recodified as 49 U.S.C. 40105(b), to act consistently with the United States' obligations under treaties and bilateral air services agreements further supports our continuation of the rules. Many of those bilateral agreements assure the airlines of each party a fair and equal opportunity to compete. We have held that the fair and equal opportunity to compete includes, among other things, a right to have an airline's services fairly displayed in CRSs. Our rules against display bias and discriminatory treatment help to provide foreign airlines with a fair and equal opportunity to compete in the United States. 57 FR at 43791–43792. The European Union, Canada, and Australia, for example, have adopted rules regulating CRS operations that help give U.S. airlines a fair opportunity to sell their services in the countries covered by the rules.

Regulatory Process Matters

Regulatory Assessment

This rulemaking is a nonsignificant regulatory action under section 3(f) of Executive Order 12866 and has not been reviewed by the Office of Management and Budget under that order. The proposal is also not significant under the regulatory policies and procedures of the Department of Transportation, 44 FR 11034.

Keeping the current rules in force should not impose significant costs on the systems. They have already taken all the steps necessary to comply with the rules' requirements on displays and functionality, and complying with those rules on a continuing basis does not impose a substantial burden on the systems. Maintaining the rules will benefit participating airlines, since otherwise they could be subjected to unreasonable terms for participation, and will benefit consumers, who might otherwise obtain incomplete or inaccurate information on airline services. The rules also contain provisions that are designed to prevent abuses in the systems' competition with each other for travel agency subscribers.

When we conducted our last major CRS rulemaking, we included a tentative regulatory impact statement in our notice of proposed rulemaking and made that analysis final when we issued our final rule. We believe that analysis remains applicable to our proposal to extend the rules' expiration date. As a result, no new regulatory impact statement appears to be necessary. However, we will consider comments from any party on that analysis before we make our proposal final.

This rule does not impose unfunded mandates or requirements that will have any impact on the quality of the human environment.

Small Business Impact

The Regulatory Flexibility Act of 1980, 5 U.S.C. 601 *et seq.*, was enacted by Congress to ensure that small entities are not unnecessarily and disproportionately burdened by government regulations. The act requires agencies to review proposed regulations that may have a significant economic impact on a substantial number of small entities. For purposes of this rule, small entities include smaller U.S. and foreign airlines and smaller travel agencies. Our notice of proposed rulemaking sets forth the reasons for our proposed extension of the rules' expiration date and the objectives and legal basis for that proposed rule.

Furthermore, maintaining the current rules will not modify the existing regulation of small businesses. Our final rule in our last major CRS rulemaking contained a regulatory flexibility analysis on the impact of the rules. As a result of that analysis, we determined that this regulation did not have a significant economic impact on a substantial number of small entities. Our analysis appears to be valid for our proposed extension of the rules' termination date. Accordingly, we adopt that analysis as our tentative regulatory flexibility statement and will consider any comments filed on that analysis in connection with this proposal.

The continuation of our existing CRS rules will primarily affect two types of small entities, smaller airlines and travel agencies. To the extent that airlines can operate more efficiently and reduce their costs, the rules will also affect all small entities that purchase airline tickets, since airline fares may be somewhat lower than they would otherwise be, although the difference may be small.

Continuing the rules will protect smaller non-owner airlines from several potential system practices that could injure their ability to operate profitably and compete successfully. No smaller airline has a CRS ownership interest. Market forces do not significantly influence the systems' treatment of airline participants. As a result, if there were no rules, the systems' airline owners could use them to prejudice the competitive position of other airlines. The rules provide important protection to smaller airlines. For example, by

prohibiting systems from ranking and editing displays of airline services on the basis of carrier identity, they limit the ability of each system to bias its displays in favor of its owner airlines and against other airlines. The rules also prohibit charging participating airlines discriminatory fees. The rules, on the other hand, impose no significant costs on smaller airlines.

The CRS rules affect the operations of smaller travel agencies, primarily by prohibiting certain CRS practices that could unreasonably restrict the travel agencies' ability to use more than one system or to switch systems. The rules prohibit CRS contracts that have a term longer than five years, give travel agencies the right to use third-party hardware and software, and prohibit certain types of contract clauses, such as minimum use and parity clauses, that restrict an agency's ability to use multiple systems. By prohibiting display bias based on carrier identity, the rules also enable travel agencies to obtain more useful displays of airline services.

Our proposed rule contains no direct reporting, record-keeping, or other compliance requirements that would affect small entities. There are no other federal rules that duplicate, overlap, or conflict with our proposed rules.

Interested persons may address our tentative conclusions under the Regulatory Flexibility Act in their comments submitted in response to this notice of proposed rulemaking.

I certify under section 605(b) of the Regulatory Flexibility Act (5 U.S.C. *et seq*.) that this regulation will not have a significant economic impact on a substantial number of small entities.

Paperwork Reduction Act

This proposal contains no collection-of-information requirements subject to the Paperwork Reduction Act, Public Law. No. 96–511, 44 U.S.C. Chapter 35.

Federalism Assessment

This proposed rule has been reviewed in accordance with the principles and criteria contained in Executive Order 13132, dated August 4, 1999, and it has been determined that this action does not have a substantial direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. This proposed rule will not limit the policymaking discretion of the States. Nothing in this proposal would directly preempt any State law or regulation. We are proposing this amendment primarily under the authority granted us by 49 U.S.C. 41712 to prevent unfair methods of competition and unfair and deceptive practices in the sale of air transportation. We believe that the policy set forth in this proposed rule is consistent with the principles, criteria, and requirements of the Federalism Executive Order and the Department's governing statute. Comments on these conclusions are welcomed and should be submitted to the docket.

List of Subjects in 14 CFR Part 255

Air carriers, Antitrust, Consumer protection, Reporting and recordkeeping requirements, Travel agents.

Accordingly, the Department of Transportation proposes to amend 14 CFR Part 255, Carrier-owned Computer Reservations Systems, as follows:

PART 255—[AMENDED]

1. The authority citation for Part 255 continues to read as follows:

Authority: 49 U.S.C. 40101, 40102, 40105, 40113, 41712.

2. Section 255.12 is revised to read as follows:

§ 255.12 Termination.

The rules in this part terminate on March 31, 2001.

Issued in Washington, D.C. on February 25, 2000, under authority delegated by 49 CFR § 1.56a(h)2.

Robert S. Goldner,

Acting Deputy Assistant Secretary for Aviation and International Affairs.

[FR Doc. 00–4922 Filed 2–29–00; 8:45 am]

BILLING CODE 4910–62–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG–209601–92]

RIN 1545–AR19

Taxation of Tax-Exempt Organizations' Income From Corporate Sponsorship

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Withdrawal of previous proposed rules, notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations relating to the tax treatment of sponsorship payments received by exempt organizations. The Taxpayer Relief Act of 1997 amended the Internal Revenue Code to provide that unrelated trade or business does not include the activity of soliciting and receiving qualified sponsorship payments. This action affects exempt organizations that receive sponsorship payments. This document provides notice of a public hearing on these proposed regulations. This document also withdraws proposed rules published on January 22, 1993.

DATES: Written or electronic comments must be received by May 30, 2000. Outlines of topics to be discussed at the public hearing scheduled for June 21, 2000, at 10 a.m. must be received by May 31, 2000.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (REG–209601–92), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG–209601–92), room 5226, Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the ''Tax Regs'' option on the IRS Home Page, or by submitting comments directly to the IRS Internet site at http://www.irs.gov/tax__regs/regslist.html. The public hearing will be held in room G–043, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Stephanie Lucas Caden, (202) 622–6080 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

Exempt organizations generally must pay tax on unrelated business taxable income, as defined in section 512. Section 512(a)(1) defines *unrelated business taxable income* (UBTI) as the gross income derived by an organization from any unrelated trade or business (as defined in section 513) regularly carried on by it, less the deductions that are directly connected with the carrying on of the trade or business, both computed with the modifications provided in section 512(b).

Section 513(a) defines *unrelated trade or business* as any trade or business the conduct of which is not substantially related (aside from the need of an organization for income or funds or the use it makes of the profits derived) to the exercise or performance by the organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501. Section 513(c), captioned ''Advertising, Etc., Activities,'' provides that the term *trade*